

# Consultation

## Minded-to proposals on our review of competition in the electricity distribution connections market

<b>Publication date:</b>	25 March 2022
<b>Response deadline:</b>	20 May 2022
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## 1. Executive summary

- 1.1. Customers have a choice over who provides certain connection activities – the Distribution Network Operator ('DNO') or a third party provider.<sup>1</sup> We think that increased competition for connections benefits consumers in terms of better service and fairer prices.<sup>2</sup>
- 1.2. We have carried out a review to update our thinking on the relevant market segments ('RMS') where there does, or does not, appear to be effective competition.<sup>3</sup> This document sets out our minded-to proposals following our assessment of data submissions from DNOs relating to the competition review.
- 1.3. See Table 1 below for a summary of our minded-to proposals:
  - For RMS which we are minded to pass, we will permit the DNO to charge an unregulated margin on contestable activities.
  - For RMS which we are minded to not pass, we believe there to be a prospect for competition to further develop thus are not minded to remove the regulated margin.<sup>4</sup>
  - For RMS where no data was provided, in the absence of any further information, we are minded to maintain the regulated margin.
  - RMS that are not in scope refers to the RMS that passed the Distribution Price Control Review 5 Competition Test ('Competition Test').<sup>5</sup>

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<sup>1</sup> DNOs own and operate the electricity distribution networks that carry electricity from the high voltage, transmission networks to industrial, commercial, and domestic users, as well as distributing an increasing quantity of power from generation sources connected directly to the distribution networks

<sup>2</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work.

<sup>3</sup> The connections market consists of various segments which reflect the different type of customers and types of work. RMS refer to the market segments where we consider competition is viable. In this minded-to consultation document we use the terms 'market' and 'markets' to refer to different segments of the energy sector. For the avoidance of doubt, these terms are not intended to describe or otherwise suggest the approach that may be taken by us for the purposes of market definition, for example in competition law investigations.

<sup>4</sup> As part of Distribution Price Control Review 5 ('DPCR5'), we introduced a regulated margin of 4% that DNOs were required to charge connections customers for contestable works in each RMS in their licence areas. This was to create headroom for new entrants to compete.

<sup>5</sup> Distribution Price Control Review 5 was a price control that ran from 1 April 2010 until 31 March 2015. Between 2012 and 2014 we ran the Competition Test to assess levels of effective competition in each RMS in each licensee region. Where we saw evidence of effective competition – the DNO passed – and we permitted the DNO to charge an unregulated margin for contestable works.

**Table 1: minded-to proposals summary**

RMS	ENWL	NPg		WPD				UKPN			SPEN		SSEN	
		NPgN	NPgY	WMID	EMID	SWALES	SWEST	LPN	SPN	EPN	SPD	SPMW	SSEH	SSES
Metered Demand LV														
Metered Demand HV														
Metered Demand HV & EHV														
Metered Demand EHV and above														
Distributed Generation LV														
Distributed Generation HV and EHV														
Unmetered Local Authority														
Unmetered PFI														
Unmetered Other														

**Key**

- Permit unregulated margin on contestable activities
- Retain unregulated margin on contestable activities
- Not in scope



## 2. Introduction

### Background

- 2.1. We set price controls on the companies that operate the electricity networks in Great Britain ('GB') to ensure that current and future consumers receive the network services they require at a fair price.
- 2.2. The next round of price controls for the fourteen electricity Distribution Network Operators ('DNOs') will start in April 2023 and will run until March 2028 (RIIO-ED2).<sup>6</sup> As part of this process, we will set outputs and incentives on the service that DNOs provide. These include the services provided to customers requiring a new or modified connection to the electricity networks.
- 2.3. In providing connections to the electricity distribution network, there are some activities that must be undertaken by a DNO. These are referred to as 'non-contestable' activities. This reflects the nature of the level and complexity of information required about the Distribution System to design such works in a way that interfaces safely and efficiently with the DNO's wider network.
- 2.4. However, there are some connection activities where competition has the potential to exist. In these cases, activities can be undertaken by parties other than the DNO, such as Independent Connection Providers ('ICPs')<sup>7</sup> and licensed Independent Distribution Network Operators ('IDNOs').<sup>8</sup> The activities where these parties can compete against the DNO are referred to as 'contestable' activities.
- 2.5. Where competition exists, we permit DNOs to charge an unregulated margin and limit the application of direct regulation in the form of price control incentives on service provision.<sup>9</sup> This is because we consider that competition can be a more effective way of delivering improvements in customer service and efficiency than direct regulation.

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<sup>6</sup> RIIO stands for Revenue = Incentives + Innovation + Outputs. The current RIIO-ED1 price control runs from 1 April 2015 to 31 March 2023.

<sup>7</sup> Independent Connections Providers complete and develop local electricity distribution networks but cannot operate or maintain them.

<sup>8</sup> Independent Distribution Network Operators (IDNOs) complete, develop, operate, and maintain local electricity distribution networks. IDNO networks are directly connected to the Distribution Network Operator (DNO) networks or indirectly to the DNO via another IDNO.

<sup>9</sup> For all RMS, there are measures in place to ensure DNOs deliver specified standards of performance to consumers, like the Complaints Metric and Guaranteed Standards of Performance ('GSoPs').

Furthermore, we do not want price control arrangements that only apply to DNOs and not their competitors to distort competition in the market.

- 2.6. Where effective competition does not exist, price control incentives are intended to drive DNOs to meet their connections customers' expectations by exposing them to financial consequences if they do not provide an acceptable level of performance.

## Competition review process to date

- 2.7. In June 2021, we published a consultation on our proposal to review competition in certain parts of the electricity distribution connections market. Our aim was to understand the level of effective competition, and determine if there have been any changes since the completion of the Competition Test. This would also inform our thinking ahead of the next price control period and ensure that any incentives on electricity connections in RIIO-ED2 are applied appropriately.

- 2.8. In October 2021, following consultation and assessment of stakeholder responses, we published our decisions on:

- **The scope of the review:** to proceed with this review without making any changes to the current classification of the Relevant Market Segments ('RMS'), not consider the level of effective competition in the Excluded Market Segments ('EMS')<sup>10</sup>, and not to consider the level of effective competition in the RMS that had previously passed the Competition Test.
- **The assessment process:** to undertake the analysis by considering the indicators for competition set out in the consultation document, for the regulatory years 2018 to 2021, using the data template published with the decision document.<sup>11</sup>

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<sup>10</sup> Excluded Market Segments for this review are LVSSA and LVSSB. LVSSA connections are LV connection activities relating to no more than four domestic premises or one-off industrial and commercial work (i.e., one to four houses). LVSSB connections are connections activities in respect of a connection involving three-phase whole current metering at premises other than Domestic Premises. (i.e., one off LV connections).

<sup>11</sup> See chapter 4 for an overview of the assessment process, or chapter 5 of the document [here](#) for further detail.

- **Treatment of the RMS:** how we would apply the Strategy Delivery Operational Delivery Incentive (ODI), and regulated margin to the RMS, based on the outcome of the review.<sup>12</sup>

2.9. We invited DNOs to complete the updated data template published alongside the decision document and submit this to us to inform our analysis.

## Purpose of this consultation

2.10. Following the receipt of the completed data submissions, we assessed them to understand whether effective competition has developed in the RMS within the scope of this review.

2.11. This assessment process and key market indicators are detailed in Chapter 4 of this document, as well as in the introduction of the annex published alongside this document. The annex should be read in conjunction with this consultation, as it demonstrates:

- **our detailed assessment of the key market indicators** for all DNO submissions.
- **associated trends across the assessment period**, for each of the RMS in scope of this review.
- **common trends across the assessment**, that we have observed across all data submissions and provide context to this review.

2.12. This minded-to consultation document references the analysis in the annex rather than repeating it here and details our minded-to positions on which RMS passed or did not pass this competition review. Chapter 4 sets out the specific questions we are asking for views on and how to respond.

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<sup>12</sup> The Strategy Delivery ODI will replace the Incentive on Connections Engagement ('ICE') in RIIO-ED2 and will hold DNOs to account for the delivery of their major connections strategies, through an ex post evaluation, in the form of a financial output delivery incentive.

2.13. In relation to the design and application of price control incentives in RIIO-ED2, we will provide our minded-to proposals as part of our draft determinations in summer 2022.

## **Next steps and how to respond**

2.14. We want to hear from anyone interested in this consultation. Please send your response to the person or team named on this document's front page.

2.15. We are asking for your views on each of the questions in chapter 4. Please respond to each one as fully as you can, with evidence to support to your view. We will publish non-confidential responses on our website at [www.ofgem.gov.uk/consultations](http://www.ofgem.gov.uk/consultations). Confidential responses can be submitted and we would ask that respondents clearly mark these as such (preferably as a separate confidential annex to the main response). On review of the responses, we will publish our final decision on our treatment of each DNO's RMS in scope of this review.

### 3. DNO compliance with the Legal Requirements Test

#### Section summary

This section describes our assessment of the DNOs' position against the Legal Requirements Test.

- 3.1. Charge Restriction Conditions ('CRC') 2K of the electricity distribution licence describes the "Legal Requirements Test". The Legal Requirements Test is an assessment of the licensee's compliance, in respect of the making of connections to its Distribution System, with the relevant connections related licence conditions and the Competition Act 1998 detailed below.
- 3.2. Compliance with the Legal Requirements Test is a necessary pre-condition for passing this competition review. The legal requirements set out in the test are for the DNO to have no enforced breaches, in the given regulatory year, for any of:
  - Standard Licence Condition (SLC) 12.6(c) (Requirement to offer terms for use of system and connection)
  - SLC 15 (Standards for the provision of Non-Contestable Connection Services)
  - SLC 15A (Connections policy and connection performance)
  - SLC 19 (Prohibition of discrimination under Chapters 4 and 5), and
  - The Competition Act 1998.

#### DNO current position

- 3.3. The relevant regulatory years are defined as the period between the regulatory years of 2018 to 2021.
- 3.4. There have been no enforced breaches against any of the DNOs in any of the five strands of the Legal Requirements Test for the regulatory years in which we assessed data. All DNOs have therefore passed the Legal Requirements Test.

## **Future compliance with the legal requirements test**

- 3.5. If any DNO no longer meets the Legal Requirements Test after price regulation has been lifted, we could issue a clawback direction under Special Licence Condition CRC 2K.8. The clawback direction would require the DNO to pay back any relevant charges in excess of the regulated margin.

## 4. An overview of the minded-to classifications of all RMS

### Section summary

This section provides a high-level overview of the assessment criteria and a reminder of the possible outcomes of this review.

### Introduction

4.1. This chapter provides a high-level overview of:

- the RMS in scope of this review
- the key market indicators that we collected data on
- the possible assessment outcomes.

4.2. Within this chapter, we set out consultation questions requesting your views on our minded-to classification of the RMS. We request all respondents to review the annex document that has been published alongside this document as it sets out in detail the analysis undertaken and trends identified.

### RMS in scope of this review

4.3. For our review, we gathered data in relation to the following RMS based on the outcome of the previous Competition Test.

**Table 2: Relevant Market Segments:**

Relevant Market Segments	
Metered Demand Connections	Low Voltage (LV) Work - LV connection activities involving only LV work, other than in respect of the Excluded Market Segments.
	High Voltage (HV) Work: LV or HV connection activities involving HV work (including where that work is required in respect of connection activities within an Excluded Market Segment).
	HV and Extra High Voltage (EHV) Work: LV or HV connection activities involving EHV work.

Relevant Market Segments	
	EHV work and above: extra high voltage and 132kV connection activities.
Metered Distributed Generation	LV work: low voltage connection activities involving only low voltage work.
	HV and EHV work: any connection activities involving work at HV or above.
Unmetered Connections	Local Authority (LA) work: new connection activities in respect of LA premises.
	Private finance initiatives (PFI) Work: new connection activities under PFIs.
	Other work: all other non-LA and non-PFI Unmetered connections work.

## Key market indicators

4.4. In chapter 5 of our June consultation document, we set out the assessment criteria and key market indicators we would collect data on for the purposes of this review.<sup>13</sup>

4.5. A high-level summary of the key market indicators include:

- **Market share measured in terms of number of connections.** Both the number of offered and accepted connections, for DNO and third parties respectively.<sup>14</sup>
- **Market share measured in terms of capacity.** Both offered and completed for DNOs and third parties respectively.
- **Number of third parties** active in each RMS each year.
- **The average value of DNO full acceptances** which aims to give high level information on the monetary value and scale of DNOs accepted work.<sup>15</sup>

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<sup>13</sup> See chapter 5 of the June consultation document for greater detail on the assessment criteria [here](#).

<sup>14</sup> For unmetered connections, the number of connections reflected the total number of units completed.

<sup>15</sup> In cases where DNOs did not complete any connections throughout the entire assessment period but issued offers we included the average value of DNO non acceptances.



- **Additional evidence from Competition Test results, DNOs' qualitative explanations and supplementary questions.** This was used where evidence from the above market indicators was not sufficient and or did not allow us to draw robust conclusions.
- 4.6. We did not consider DNO processes, behaviour, or customer awareness of competition as key market indicators for this review. These were areas of analysis for the previous Competition Test under the rationale that these factors could affect effective competition. Our assessment of these factors helped us to identify remedies to address potential barriers to competition. These included a new licence requirement, Standard Licence Condition 52 ('SLC 52'), to comply with the Competition in Connections Code of Practice ('CiCCOP').<sup>16</sup>
- 4.7. We may choose to consider the effectiveness of these remedies in future, but this is not the focus of this review. This review was undertaken to ensure that price control incentives in RIIO-ED2 can be applied appropriately and do not interfere with the operation of an RMS where there is already effective competition, rather than establishing an understanding of the factors that may be restricting the development of competition.
- 4.8. We saw no evidence of anti-competitive behaviour in consultation responses to suggest that the effectiveness of existing mechanisms to address barriers to completion, such as the CiCCOP and SLC 52, should be incorporated within this review.

## Assessment outcomes

- 4.9. Prior to our assessment of the data submissions, we identified three potential outcomes which an RMS could be classified under. These were:
- An RMS does not pass the competition review, but we consider there to be a prospect of competition developing.

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<sup>16</sup> Approved in 2015, the CiCCOP imposed on DNOs a license requirement to comply with an industry-agreed set of standards concerning their interaction with competitive connection providers. These standards are intended to remove barriers to competition that may arise as a result of DNO processes.

- An RMS does not pass the competition review, and we consider there to be no prospect of competition developing.
- An RMS passes the competition review.

**An RMS does not pass the competition review, but we consider there to be a prospect of competition developing**

- 4.10. For RMS that fell under this category, our indicators demonstrated that there is limited third party competition with DNOs for connections work at this time (but there may be potential for this to increase in future). There may be some third parties currently operating and completing connections over the assessment period, but this may fluctuate over the assessment period. Alternatively, the number of third parties could have demonstrated a downward trend over the assessment period, indicating a possible decrease in competitive activity.
- 4.11. In terms of market share based on the number of connection offers, the DNO consistently maintained a large and / or increasing majority over third parties, demonstrated through a stable high level in these indicators, over the assessment period. Similarly, in relation to the size of connections, the DNO likely completed the majority of the accepted capacity over the assessment period. These indicators were also considered in the context of the size of the market, and whether a relatively high number of total connections were being offered and completed.
- 4.12. Based on the behaviour detailed in the key indicators above, we were not satisfied that the current level of competition is sufficient to protect consumer interests effectively. As a result, we are not minded to pass these RMS, and will not permit DNOs to make any changes to the regulated margin.

**An RMS does not pass the competition review, and we consider there to be no prospect of competition developing**

- 4.13. As stated in previous publications, RMS under this category would likely demonstrate very few, or no, third parties competing for and / or winning any connections work. We would also consider whether or not there is any evidence that effective competition exists in this RMS elsewhere in GB as this might indicate a plausible likelihood of it developing in future.

- 4.14. We said that we would be minded to remove the regulated margin in these cases as keeping the regulated margin, where there is no prospect of competition developing, would not be in consumers' interests.
- 4.15. Following our review, we did not deem any RMS appropriate to be classified under this outcome. While we did identify market segments where third party work could be described as 'limited', we did not identify an RMS which had no third-party activity at all over the course of the assessment period, across GB. Therefore, although third party presence may have been limited, we cannot be confident that the removal of the regulated margin would not work towards negatively impacting the third parties that either currently operate within these RMS, have previously operated with these RMS, or may choose to do so in future.

#### **An RMS passes the competition review**

- 4.16. For RMS that fell under this category, our indicators demonstrated that third parties are successfully competing with DNOs for connections work. This could be illustrated through a clear and consistent presence of third parties operating and completing connections over the assessment period. Additionally, if an RMS is categorised under this outcome, the number of third parties may have demonstrated either a consistent or upward trend over the assessment period.
- 4.17. In terms of market share for offering quotations and winning acceptances, the DNO may have demonstrated a decreasing trend in these indicators. This could result in either DNOs retaining a small majority over third parties, or third parties gaining and / or maintaining a majority over the DNO. Similarly, in relation to the size of connections offered and completed, third parties may have completed the majority of the accepted capacity over the assessment period. These indicators were also considered in the context of the size of the market, and whether a relatively high number of total connections were being offered and completed.
- 4.18. Based on the behaviour detailed in the key indicators above, we were satisfied that the level of competition is sufficient to protect consumer interests effectively. Therefore, we are minded to pass these RMS and permit DNOs to charge an unregulated margin.

#### **RMS where data was not submitted**

- 4.19. Through our assessment of the data submissions, we identified a number of instances where data was not submitted for certain RMS.

4.20. When the regulated margin and RMS classification were introduced, we considered that competition was viable in all nine RMS. This has been proven correct to varying degrees over both the Competition Test and this review. Therefore, in the absence of any further information, for the RMS in which data was not provided, this position remains the same, and we are minded to maintain the 4% regulated margin for RIIO-ED2 and beyond.

## Consultation questions

4.21. The table below outlines the consultation questions on which we are seeking views. We request all respondents to review the annex document that has been published alongside this document, as it sets out in detail the analysis undertaken and trends identified.

**Table 3: consultation questions**

Consultation questions	
<b>Q1</b>	Do you agree with our treatment of RMS where we found low levels of third party activity? Please provide reasons for your views.
<b>Q2</b>	Do you agree with our proposal to maintain the regulated margin in those RMS where we did not receive market data through the DNO submissions? Please provide reasons for your views.
<b>Q3</b>	For each RMS and DNO where we have assessed the level of competition, do you agree with our proposal to keep or remove the regulated margin? Please state why, providing evidence and reasoning for your views. When responding, please mark clearly which DNO and RMS you are referring to.

## 5. Electricity North West Limited minded-to proposals

### Section summary

This section sets out our minded-to proposals in relation to ENWL's data submission. We request all respondents to read this in conjunction with chapter 3 of the annex.

### Overview

- 5.1. ENWL passed seven out of the nine RMS at the 2012 Competition Test, which resulted in the Distributed Generation LV and Unmetered Other RMS being in scope of this review.

**Table 4: ENWL competition review minded-to proposals**

RMS	ENWL
Metered Demand LV	Out of scope
Metered Demand HV	Out of scope
Metered Demand HV and EHV	Out of scope
Metered Demand EHV and above	Out of scope
Distributed Generation LV	Did not pass
Distributed Generation HV and EHV	Out of scope
Unmetered LA	Out of scope
Unmetered PFI	Out of scope
Unmetered Other	Pass

### Reasons for our proposals - ENWL

- 5.2. This section explains the reasons for our proposals pertaining to the Distributed Generation LV and Unmetered Other RMS, with figures from chapter 3 of the annex referenced.

#### Distributed Generation LV

- 5.3. There were a total of 30 offers and 12 acceptances between 2018 and 2021, with ENWL completing 10 of the accepted connections and the size of market decreasing throughout the assessment period. Only one third party was making connections in

2019 and 2021, and a single third party issuing quotes in 2019 and 2020, indicating low levels of market activity.

- 5.4. On this basis, we are minded to **not pass** the Distributed Generation LV RMS, and thus we are not minded to remove the regulated margin.
- 5.5. While the figures illustrate a very limited amount of third-party activity, we have reason to believe that there is potential for competition to further develop in this RMS. This is because third parties have been relatively more active in this RMS across other Distribution Service Areas ('DSA's) in GB over the assessment period. Therefore, although third party presence might be limited today, we cannot be confident that the removal of the regulated margin would be in the interests of consumers should third parties choose to operate within this RMS in RIIO-ED2 and beyond.

#### **Unmetered Other**

- 5.6. ENWL's share of units completed decreased from 100% in 2018 to 67% in 2019, before increasing to 77% in 2020, and ultimately decreasing to 21% in 2021. The number of third parties completing units increased from zero to five between 2018 and 2019, before decreasing to three in 2021. In terms of market size, the number of units completed increased from 465 in 2018 to 1,276 in 2019, decreased to 368 in 2020, and then increased to 407 in 2021
- 5.7. On this basis, we are minded to **pass** the Unmetered Other RMS and permit ENWL to charge an unregulated margin. We believe that the evidence demonstrates that effective competition has developed as third parties are successfully competing for and winning projects against the DNO.

## 6. Northern Powergrid minded-to proposals

### Section summary

This section sets out our minded-to proposals in relation to Northern Powergrid's ('NPg') data submissions for both their DSAs. We request all respondents to read this in conjunction with chapters 4 and 5 of the annex.

### Overview

- 6.1. Across both DSAs, Northern Powergrid Northeast ('NPgN') and Northern Powergrid Yorkshire ('NPgY'), there were 16 RMS in scope of this review. NPgN and NPgY both passed the Metered Demand HV RMS in the previous Competition Test and submitted data for 6 RMS each through this competition review.

**Table 5: NPg competition review minded-to proposals**

RMS	NPgN	NPgY
Metered Demand LV	Did not pass	Did not pass
Metered Demand HV	Out of scope	Out of scope
Metered Demand HV and EHV	Did not pass	Did not pass
Metered Demand EHV and above	No data provided	No data provided
Distributed Generation LV	Did not pass	Did not pass
Distributed Generation HV and EHV	Pass	Pass
Unmetered LA	Did not pass	Did not pass
Unmetered PFI	No data provided	No data provided
Unmetered Other	Did not pass	Did not pass

### Reasons for our proposals - NPgN

- 6.2. This section explains the reasons for our proposals pertaining to the RMS in the NPgN region, with figures from chapter 4 of the annex referenced.
- 6.3. Data was not provided for the Unmetered PFI or Metered Demand EHV and above RMS. As stated in paragraph 4.15, in the absence of any further information, we will maintain the regulated margin in these RMS.

### **Metered Demand LV**

- 6.4. NPgN's market share in terms of offered connections and associated offered capacity increased from 68% to 76%, and from 61% to 77%, respectively between 2018 and 2021. In terms of acceptances, NPgN's share of accepted connections and associated accepted capacity decreased from 83% to 79%, and from 81% to 79%, respectively over the assessment period. The number of third parties issuing quotes and making connections varied from 16 to 27, and 11 to 19, respectively, over the assessment period. Total market size decreased over the assessment period, with offered and accepted connections declining from 1,545 to 917, and 589 to 474, respectively.
- 6.5. On this basis, we are minded to **not pass** the Metered Demand LV RMS. Despite the relatively high level of market activity, we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. However, we believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

### **Metered Demand HV and EHV**

- 6.6. There were a total of 24 connection offers over the assessment period, with six acceptances. One third party completed a connection in 2018 and 2021, with no third parties making connections in 2019 and 2020. Due to the relatively small size of the RMS, market share in terms of offers and acceptances fluctuated over the assessment period.
- 6.7. On this basis, we are minded to **not pass** the Metered Demand HV and EHV RMS, as we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers

### **Distributed Generation LV**

- 6.8. NPgN's market share in terms of offered connections varied between 94% and 100% over the assessment period. In terms of acceptances, NPgN's share of accepted connections and associated accepted capacity increased from 80% to 96%, and from 82% to 98%, respectively, over the assessment period. A single third party was making connections in any given year of the assessment period, with no third parties



issuing quotes between 2019 and 2021.<sup>17</sup> Total market size grew over the assessment period, with offered and accepted connections increasing from 24 to 34 and ten to 26 respectively.

- 6.9. On this basis, we are minded to **not pass** the Distributed Generation LV RMS, as we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

### **Distributed Generation HV and EHV**

- 6.10. NPgN's market share in terms of offered connections and associated offered capacity decreased from 94% to 80%, and from 96% to 70%, respectively between 2018 and 2021. In terms of acceptances, NPgN's share of accepted connections decreased from 89% to 46% between 2018 and 2019, before increasing to 72% in 2020, and subsequently declining to 36% in 2021. The share of associated accepted capacity decreased from 93% to 18% over the assessment period. There was one third party issuing quotes in 2018, two in 2019 and 2020, and none in 2021. Additionally, there was one third party making connections in all years of the assessment period, except for 2019, when there were three third parties.<sup>18</sup> The total market size decreased in terms of total offers over the assessment period, from 119 to 81. However, acceptances increased from 19 to 36, peaking at 52 in 2019.

- 6.11. On this basis, we are minded to **pass** the Distributed Generation HV and EHV RMS and permit NPgN to charge an unregulated margin. We believe that the evidence demonstrates that effective competition has developed as third parties are successfully competing and winning projects against the DNO.

### **Unmetered LA**

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<sup>17</sup> We note that the data submitted by the DNO for this RMS contains instances where the number of third parties making connections is higher than those issuing quotes.

<sup>18</sup> See footnote description above.

- 6.12. NPgN completed all five units between 2018 and 2021, with no market activity occurring in 2021. On this basis, we are minded to **not pass** the Unmetered LA RMS, and thus we are not minded to remove the regulated margin.
- 6.13. While the figures illustrate a very limited amount of third-party activity, we have reason to believe that there is potential for competition to further develop in this RMS. This is because third parties have been relatively more active in this RMS across other DSAs in GB over the assessment period. Therefore, although third party presence might be limited today, we cannot be confident that the removal of the regulated margin would be in the interests of consumers should third parties choose to operate within this RMS in RIIO-ED2 and beyond.

### **Unmetered Other**

- 6.14. NPgN's market share indicates that they completed all units in 2018 and 2021, as well as 98% and 99% of all units in 2019 and 2020. In terms of market size, the number of units completed decreased from 194 in 2018, to 127 in 2019, before increasing to 195 in 2020, and subsequently declining to 66 in 2021. On this basis, we are minded to **not pass** the Unmetered Other RMS, and thus we are not minded to remove the regulated margin.
- 6.15. While the figures illustrate a very limited amount of third-party activity, we have reason to believe that there is potential for competition to further develop in this RMS. This is because third parties have been relatively more active in this RMS across other DSAs in GB over the assessment period. Therefore, although third party presence might be limited today, we cannot be confident that the removal of the regulated margin would be in the interests of consumers should third parties choose to operate within this RMS in RIIO-ED2 and beyond.

### **Reasons for proposals - NPgY**

- 6.16. This section explains the reasons for our proposals pertaining to the RMS in the NPgY region, with figures from chapter 5 of the annex referenced.
- 6.17. Data was not provided for the Unmetered PFI or Metered Demand EHV and above RMS. As stated in paragraph 4.15, in the absence of any further information, we will maintain the regulated margin.

### **Metered Demand LV**

- 6.18. NPgY's market share in terms of offered connections and associated offered capacity increased from 70% to 74%, and from 65% to 74%, respectively, between 2018 and 2021. In terms of acceptances, NPgY's share of accepted connections decreased from 81% to 73% between 2018 and 2020, before increasing to 78% in 2021. NPgY's associated accepted capacity decreased from 78% to 72%, before increasing to 81% in 2021. The number of third parties issuing quotes decreased from 28 to 24 over the assessment period, and those making connections fluctuated at an average of 21. Total market size decreased over the assessment period, with offered and accepted connections declining from 2,548 to 1,568, and 986 to 769, respectively.
- 6.19. On this basis, we are minded to **not pass** the Metered Demand LV RMS. Despite the relatively high level of market activity, we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

### **Metered Demand HV and EHV**

- 6.20. There was a total of 48 connection offers over the assessment period, with 15 acceptances. One to four third parties were issuing quotes each year, with a single third party completing connections. Due to the relatively small size of the RMS, market share in terms of offers and acceptances fluctuated annually.
- 6.21. On this basis, we are minded to **not pass** the Metered Demand HV and EHV RMS. We are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and thus we are not minded to remove the regulated margin.

### **Distributed Generation LV**

- 6.22. NPgY's market share in terms of offered connections and associated offered capacity increased from 62% to 90%, and from 32% to 95%, respectively between 2018 and 2021. In terms of acceptances, NPgY's share of accepted connections and associated accepted capacity increased from 88% to 90%, and 68% to 96%, respectively, between 2018 and 2020. The number of third parties issuing quotes decreased from seven in 2018 to two in 2019, one in 2020, before increasing to four in 2021.

Additionally, there were one to three third parties making connections in any given year.<sup>19</sup> Total market size increased over the assessment period, with offered and accepted connections declining from 37 to 60 and 8 to 31 respectively.

- 6.23. On this basis, we are minded to **not pass** the Distributed Generation LV RMS. We are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

### **Distributed Generation HV and EHV**

- 6.24. NPgY's market share in terms of offered connections remained stable at approximately 79% annually, while NPgY's associated offered capacity increased from 87% to 96% between 2018 and 2020, before decreasing to 78% in 2021. In terms of acceptances, NPgY's share of accepted connections fluctuated between 61% and 27% (for between 2018 to 2021). Similarly, the associated accepted capacity fluctuated from 91% to 17% between 2018 and 2020, before increasing to 78% in 2020, and subsequently decreasing to 31% in 2021. The number of third parties issuing quotes fluctuated, but averaged at five over the assessment period. Those making connections increased from one in 2018, to four in 2019, declined to three in 2020, before increasing to seven in 2021.<sup>20</sup> The total market size decreased in terms of total offers over the assessment period, from 131 to 109. However, acceptances increased from 18 to 47.
- 6.25. On this basis, we are minded to **pass** the Distributed Generation HV and EHV RMS and permit NPgY to charge an unregulated margin. We believe that the evidence demonstrates that effective competition has developed as third parties are successfully competing and winning projects against the DNO.

### **Unmetered LA**

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<sup>19</sup> We note that the data submitted by the DNO for this RMS contains instances where the number of third parties making connections is higher than those issuing quotes.

<sup>20</sup> See footnote description above

- 6.26. NPgY completed three out of the four total units in 2018, which were also the only units completed over the assessment period. On this basis, we are minded to **not pass** the Unmetered LA RMS, and thus we are not minded to remove the regulated margin.
- 6.27. While the figures illustrate a very limited amount of third-party activity, we have reason to believe that there is potential for competition to further develop in this RMS. This is because third parties have been relatively more active in this RMS across other DSAs in GB over the assessment period. Therefore, although third party presence might be limited today, we cannot be confident that the removal of the regulated margin would be in the interests of consumers should third parties choose to operate within this RMS in RIIO-ED2 and beyond.

### **Unmetered Other**

- 6.28. NPgY's market share was on average 99.9% between 2018 and 2021. In terms of market size, the number of units completed decreased from 652 in 2018 to 119 in 2021. On this basis, we are minded to **not pass** the Unmetered Other RMS, and thus we are not minded to remove the regulated margin.
- 6.29. While the figures illustrate a very limited amount of third-party activity, we have reason to believe that there is potential for competition to further develop in this RMS. This is because third parties have been relatively more active in this RMS across other DSAs in GB over the assessment period. Therefore, although third party presence might be limited today, we cannot be confident that the removal of the regulated margin would be in the interests of consumers should third parties choose to operate within this RMS in RIIO-ED2 and beyond.

## 7. Western Power Distribution minded-to proposals

### Section summary

This section sets out our minded-to proposals in relation to Western Power Distribution ('WPD') data submissions for all four of their DSAs. We request all respondents to read this in conjunction with chapters 6 to 9 of the annex.

### Overview

- 7.1. Across four DSAs, West Midlands ('WMID'), East Midlands ('EMID'), South Wales ('SWALES') and South West ('SWEST'), there were 23 RMS in scope of this review.
- 7.2. WMID passed four RMS in the previous Competition Test, and submitted data for five RMS through this competition review. EMID passed four RMS in the previous Competition Test, and submitted data for five RMS through this competition review. SWALES passed two RMS in the previous Competition Test, and submitted data for seven RMS through this competition review. SWEST passed three RMS in the previous Competition Test, and submitted data for six RMS through this competition review.

**Table 6: WPD competition review minded-to proposals**

RMS	WMID	EMID	SWALES	SWEST
Metered Demand LV	Did not pass	Did not pass	Did not pass	Did not pass
Metered Demand HV	Pass	Pass	Did not pass	Did not pass
Metered Demand HV and EHV	Not in scope	Not in scope	Did not pass	Did not pass
Metered Demand EHV and above	Not in scope	Not in scope	Did not pass	Did not pass
Distributed Generation LV	Did not pass	Did not pass	Did not pass	Did not pass
Distributed Generation HV and EHV	Pass	Pass	Pass	Not in scope
Unmetered LA	Not in scope	Not in scope	Not in scope	Not in scope
Unmetered PFI	Not in scope	Not in scope	Not in scope	Not in scope
Unmetered Other	Pass	Pass	Did not pass	Did not pass

## Reasons for proposals - WMID

- 7.3. This section explains the reasons for our proposals pertaining to the RMS in the WMID region, with figures from chapter 6 of the annex referenced.

### Metered Demand LV

- 7.4. WMID's market share in terms of offered connections and associated offered capacity decreased from 77% to 70% and from 79% to 73% respectively between 2018 and 2021. In terms of acceptances, WMID's share of accepted connections and associated accepted capacity decreased from 90% to 81% and from 92% to 84% respectively over the assessment period. The number of third parties issuing quotes and completing connections, increased from 44 to 48, and from 19 to 24, respectively, over the assessment period. In terms of total market size, on average, there were 3,292 offers made and 1,174 connections completed per year.
- 7.5. On this basis, we are minded to **not pass** the Metered Demand LV RMS. Despite the relatively high level of market activity, we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

### Metered Demand HV

- 7.6. WMID's market share in terms of offered connections decreased from 59% to 56% between 2018 and 2020, before increasing to 62% in 2021. The associated offered capacity decreased from 63% to 43%, before increasing to 50% in 2021. WMID's market share in terms of acceptances, on average was 80% and the associated accepted capacity averaged at 48%. The number of third parties issuing quotes increased from 42 to 55 between 2018 and 2020, before declining to 45 in 2021. Those making connections increased from 14 to 28 between 2018 and 2020, before declining to 21 in 2021. In terms of total market size, on average, there were 2,828 offers made and 762 connections completed per year.
- 7.7. On this basis, we are minded to **pass** the Metered Demand HV RMS and permit WMID to charge an unregulated margin, as we believe that the evidence demonstrates that effective competition has developed as third parties are successfully competing and winning projects against the DNO.

### **Distributed Generation LV**

- 7.8. There were five accepted connections per year on average between 2018 and 2021, with WMID making all offers and connections throughout the assessment period. On this basis, we are minded to **not pass** the Distributed Generation LV RMS, and thus we are not minded to remove the regulated margin.
- 7.9. While the figures illustrate a very limited amount of third-party activity, we have reason to believe that there is potential for competition to further develop in this RMS. This is because third parties have been relatively more active in this RMS across other DSAs in GB over the assessment period. Therefore, although third party presence might be limited today, we cannot be confident that the removal of the regulated margin would be in the interests of consumers should third parties choose to operate within this RMS in RIIO-ED2 and beyond.

### **Distributed Generation HV and EHV**

- 7.10. WMID's market share in terms of offered connections and associated offered capacity decreased from 92% to 89% and from 94% to 85% respectively between 2018 and 2021. WMID's market share in terms of acceptances, increased from 26% in 2018 to 42% in 2021. The associated accepted capacity rose from 10% in 2018 to 17% in 2020, before declining back to 5% in 2021. The number of third parties issuing quotes decreased from six to one over the assessment period, with those making connections increasing from one to four between 2018 and 2019, before decreasing to three in 2020 and one in 2021.<sup>21</sup> In terms of total market size, the market declined, in terms of offers, from 369 to 132 but increased in terms of acceptances, from 61 to 66, over the assessment period.
- 7.11. On this basis, we are minded to **pass** the Distributed Generation HV and EHV RMS and permit WMID to charge an unregulated margin, as we believe that the evidence demonstrates that effective competition has developed as third parties are successfully competing and winning projects against the DNO.

### **Unmetered Other**

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<sup>21</sup> We note that the data submitted by the DNO for this RMS contains instances where the number of third parties making connections is higher than those issuing quotes.



7.12. WMID's market share decreased from 45% in 2018 to 31% in 2020, before increasing to 35% in 2021. There were increased from 11 to 15 between 2018 and 2020, before decreasing to 12 in 2021. The total market size, in terms of unit completed, declined from 1,901 in 2018 to 1,213 in 2019 before remaining stable with an average of 1,233 between 2020 and 2021.

7.13. On this basis, we are minded to **pass** the Unmetered Other RMS, as we believe that the evidence demonstrates that effective competition has developed as third parties are successfully competing and winning projects against the DNO.

## Reasons for proposals - EMID

7.14. This section explains the reasons for our proposals pertaining to the RMS in the EMID region, with figures from chapter 7 of the annex referenced.

### Metered Demand LV

7.15. EMID's market share in terms of offered connections and associated offered capacity decreased from 76% to 72% and from 78% to 70% respectively between 2018 and 2021. In terms of acceptances, EMID's share of accepted connections and associated accepted capacity decreased from 92% to 84% and from 92% to 85% respectively over the assessment period. The number of third parties issuing connection offers increased from 44 to 47. Those making connections rose from 18 to 27 between 2018 and 2019, before falling to 22 in 2021. In terms of total market size, on average, there were 3,927 offers made and 1,340 connections completed.

7.16. On this basis, we are minded to **not pass** the Metered Demand LV RMS. Despite the relatively high level of market activity, we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

### Metered Demand HV

7.17. EMID's market share in terms of offered connections and associated offered capacity increased from 47% to 50% and from 32% to 41% respectively between 2018 and 2021. EMID's market share in terms of acceptances, on average was 74% and the associated accepted capacity averaged at 53%. The number of third parties issuing quotes increased from 48 to 53 between 2018 and 2020, before declining to 45 in

2021. Those making connections increased from 17 to 26 between 2018 and 2020, before declining to 23 in 2021. In terms of total market size, on average, there were 2,957 offers made and 627 connections completed per year.

- 7.18. On this basis, we are minded to **pass** the Metered Demand HV RMS and permit EMID to charge an unregulated margin, as we believe that the evidence demonstrates that effective competition has developed as third parties are successfully competing and winning projects against the DNO.

### **Distributed Generation LV**

- 7.19. There were three accepted connections per year on average between 2018 and 2021, with EMID completing all connections between 2018 and 2021 with one third party issuing quotes in 2018.

- 7.20. On this basis, we are minded to **not pass** the Distributed Generation LV RMS, and thus we are not minded to remove the regulated margin.

- 7.21. While the figures illustrate a very limited amount of third-party activity, we have reason to believe that there is potential for competition to further develop in this RMS. This is because third parties have been relatively more active in this RMS across other DSAs in GB over the assessment period. Therefore, although third party presence might be limited today, we cannot be confident that the removal of the regulated margin would be in the interests of consumers should third parties choose to operate within this RMS in RIIO-ED2 and beyond.

### **Distributed Generation HV and EHV**

- 7.22. EMID's market share in terms of offered connections and associated offered capacity decreased from 97% to 75% and from 99% to 71% respectively between 2018 and 2021. EMID's market share in terms of acceptances, increased from 30% in 2018 to 42% in 2020, before decreasing to 23% in 2021. The associated accepted capacity rose from 10% in 2018 to 37% in 2020, before declining back to 10% in 2021. The number of third parties issuing quotes increased from two to eight between 2018 and 2020, before declining to seven in 2021. Those making connections decreased from

five to two, before increasing to seven in 2021.<sup>22</sup> The total market size, in terms of offers, declined from 239 to 147 but increased in terms of acceptances, from 67 to 81, over the assessment period.

- 7.23. On this basis, we are minded to **pass** the Distributed Generation HV and EHV RMS and permit EMID to charge an unregulated margin, as we believe that the evidence demonstrates that effective competition has developed as third parties are successfully competing and winning projects against the DNO.

### **Unmetered Other**

- 7.24. EMID's market share decreased from 53% in 2018 to 26% in 2020, before increasing to 29% in 2021. There were between seven and 12 third parties issuing quotes or completing units between 2018 and 2021. In terms of market size, the number of units completed increased from 1,655 in 2018 to 1,781 in 2019 before decreasing to 1,463 in 2021.

- 7.25. On this basis, we are minded to **pass** the Unmetered Other RMS and permit EMID to charge an unregulated margin, as we believe that the evidence demonstrates that effective competition has developed as third parties are successfully competing and winning projects against the DNO.

### **Reasons for proposals - SWALES**

- 7.26. This section explains the reasons for our proposals pertaining to the RMS in the SWALES region, with figures from chapter 8 of the annex referenced.

### **Metered Demand LV**

- 7.27. SWALES' market share in terms of offered connections and associated offered capacity decreased from 92% to 89% and from 93% to 86%, respectively between 2018 and 2021. In terms of acceptances, SWALES' share of accepted connections and associated accepted capacity decreased from 98% to 95% and 99% to 95%, respectively, over the assessment period. The number of third parties issuing quotes fluctuated between

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<sup>22</sup> We note that the data submitted by the DNO for this RMS contains instances where the number of third parties making connections is higher than those issuing quotes.

12 and 17, and those making connections varied between three and seven, before decreasing to four in 2021. In terms of total market size, the total number of offers and acceptances were on average, 1,033 and 512 respectively, over the assessment period.

- 7.28. On this basis, we are minded to **not pass** the Metered Demand LV RMS. Despite the relatively high level of market activity, we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

### **Metered Demand HV**

- 7.29. SWALES' market share in terms of offered connections and associated offered capacity increased from 78% to 86% and 60% to 66% respectively over the assessment period. SWALES' market share in terms of acceptances increased from 92% to 94% between 2018 and 2021. Their share of associated accepted capacity decreased from 84% to 75% between 2018 and 2020, before increasing to 87% in 2021. The number of third parties issuing quotes increased from 19 in 2018 to 23 in 2019, but decreased to 20 in 2020 and 17 in 2021. Those making connections increased from eight to 11, before declining to five in 2021. In terms of total market size, the number of offers and acceptances increased from 876 to 986 and 318 to 422 respectively, over the assessment period.

- 7.30. On this basis, we are minded to **not pass** the Metered Demand HV RMS. Despite the relatively high level of market activity, we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

### **Metered Demand HV and EHV**

- 7.31. There was a total of four accepted connections between 2018 and 2021, all of which were made by SWALES. Although third parties did not make any connections during that time, there were two to four third parties issuing quotes between 2018 and 2021.
- 7.32. On this basis, we are minded to **not pass** the Metered Demand HV and EHV RMS as we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is

a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

### **Metered Demand EHV and above**

7.33. There were a total of two accepted connections, both made in 2019 by a single third party. A total of seven offers were made over 2018 and 2021, with five being made in 2019, of which four were issued by SWALES.

7.34. On this basis, we are minded to **not pass** the Metered Demand EHV and above RMS, as we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

### **Distributed Generation LV**

7.35. There were five accepted connections, on average, between 2018 and 2021. SWALES completed all connections, except for in 2020, when a single connection was completed by a third party.

7.36. On this basis, we are minded to **not pass** the Distributed Generation LV RMS. as we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

### **Distributed Generation HV and EHV**

7.37. SWALES' market share in terms of offered connections and associated offered capacity remained stable at approximately 96% and 94% respectively, over the assessment period. SWALES' market share in terms of acceptances and associated accepted capacity decreased from 77% to 50% and 30% to 8% respectively, between 2018 and 2021. There was one third party issuing quotes between 2018 and 2021, with one to two third parties making connections over the same period.<sup>23</sup> In terms of total market

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<sup>23</sup> We note that the data submitted by the DNO for this RMS contains instances where the number of third parties making connections is higher than those issuing quotes.

size, the number of offers decreased from 251 to 98, whilst acceptances increased from 35 to 46.

- 7.38. On this basis, we are minded to **pass** the Distributed Generation HV and EHV RMS and permit SWALES to charge an unregulated margin, as we believe that the evidence demonstrates that effective competition has developed as third parties are successfully competing and winning projects against the DNO.

### **Unmetered Other**

- 7.39. SWALES' market share decreased from 100% in 2018 to 32% in 2019, before increasing to 62% in 2021. The number of third parties completing units increased from two to nine, before dropping to three in 2021. In terms of market size, the number of units completed increased from 726 to 1,158, before decreasing to 764 in 2021.

- 7.40. On this basis, we are minded to **not pass** the Unmetered Other RMS, as we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

### **Reasons for proposals - SWEST**

- 7.41. This section explains the reasons for our proposals pertaining to the RMS in the SWEST region, with figures from chapter 9 of the annex referenced.

### **Metered Demand LV**

- 7.42. SWEST's market share in terms of offered connections and associated offered capacity decreased from 89% to 83% and from 88% to 82% respectively between 2018 and 2021. In terms of acceptances, SWEST's share of accepted connections and associated accepted capacity decreased from 96% to 92%. The number of third parties issuing quotes and making connections increased from 13 to 22 and two to seven, respectively, over the assessment period. In terms of total market size, the total number of offers declined from 1,810 to 1,695 and acceptances declined from 870 to 745.

7.43. On this basis, we are minded to **not pass** the Metered Demand LV RMS. Despite the relatively high level of market activity, we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

### **Metered Demand HV**

7.44. SWEST's market share in terms of offered connections increased from 75% to 79% over the assessment period. Their share of associated offered capacity declined from 49% to 45% between 2018 and 2020, before increasing to 53% in 2021. SWEST's market share in terms of acceptances, increased from 92% to 93% between 2018 and 2021. Their share of associated accepted capacity decreased from 75% to 63% between 2018 and 2019, before increasing to 69% in 2021. The number of third parties issuing quotes increased from 23 to 29, before decreasing to 25 in 2021. Those making connections increased from eight to ten over the assessment period. In terms of total market size, on average, there were 1,940 offers and 776 accepted connections between 2018 and 2020, increasing to 2,320 and 981, respectively, in 2021.

7.45. On this basis, we are minded to **not pass** the Metered Demand HV RMS. Despite the relatively high level of market activity, we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

### **Metered Demand HV and EHV**

7.46. SWEST's market share in terms of offered connections and associated offered capacity ranged from 27% to 40% between 2018 and 2020. In 2021, SWEST's share of offers and associated capacity increased to 60% and 63% respectively. In terms of acceptances, SWEST's market share in terms of acceptances and associated accepted capacity was a 100% share in 2018. In 2019, SWEST's share decreased and accounted for 60% of accepted connections and 27% of associated accepted capacity, and reached zero in 2020. In 2021, SWEST's market shares increased again and covered 33% of accepted connections and 83% of associated capacity. There were 78 offers and 21 accepted connections over the assessment period, ten of which occurred in 2019. The number of third parties issuing quotes declined from eight to two over the

assessment period. No third parties made connections in 2018, but one third party completed connections in each year thereafter.

- 7.47. On this basis, we are minded to **not pass** the Metered Demand HV and EHV RMS, as we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

### **Metered Demand EHV and above**

- 7.48. There was no activity in 2018 and 2019 whilst in 2020 one offer was issued but none accepted. In 2021, two connections were accepted; one was completed by SWEST and the other by a third party. On this basis, we are minded to **not pass** the Metered Demand EHV and above RMS.

- 7.49. While the figures illustrate a very limited amount of third-party activity, we have reason to believe that there is potential for competition to further develop in this RMS. This is because third parties have been relatively more active in this RMS across other DSAs in GB over the assessment period. Therefore, although third party presence might be limited today, we cannot be confident that the removal of the regulated margin would be in the interests of consumers should third parties choose to operate within this RMS in RIIO-ED2 and beyond.

### **Distributed Generation LV**

- 7.50. There were five accepted connections, on average, between 2018 and 2021. SWEST made all connections, except for 2019 when a third party made a single connection. On this basis, we are minded to **not pass** the Distributed Generation LV RMS.

- 7.51. While the figures illustrate a very limited amount of third-party activity, we have reason to believe that there is potential for competition to further develop in this RMS. This is because third parties have been relatively more active in this RMS across other DSAs in GB over the assessment period. Therefore, although third party presence might be limited today, we cannot be confident that the removal of the regulated margin would be in the interests of consumers should third parties choose to operate within this RMS in RIIO-ED2 and beyond.

### **Unmetered Other**

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- 7.52. SWEST's market share decreased from 98% in 2018 to 57% in 2020, before increasing to 65% in 2021. The number of third parties completing units increased from five to nine over the assessment period. In terms of market size, the number of units completed decreased from 1,141 in 2018 to 944 in 2021.
- 7.53. On this basis, we are minded to **not pass** the Unmetered Other RMS, as we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

## 8. UK Power Networks minded-to proposals

### Section summary

This section sets out our minded-to proposals in relation to UK Power Networks ('UKPN') data submissions for all three DSAs. We request all respondents to read this in conjunction with chapters 10 to 12 of the annex.

### Overview

- 8.1. Across three DSAs, London Power Networks ('LPN'), South Eastern Power Networks ('SPN') and East of England Power Networks ('EPN'), there were 13 RMS in scope of this review.
- 8.2. LPN passed four RMS in the previous Competition Test, and submitted data for four RMS through this competition review. SPN passed five RMS in the previous Competition Test, and submitted data for four RMS through this competition review. EPN passed five RMS in the previous Competition Test, and submitted data for four RMS through this competition review.

**Table 7: UKPN minded-to proposals**

RMS	LPN	SPN	EPN
Metered Demand LV	Did not pass	Did not pass	Did not pass
Metered Demand HV	Pass	Pass	Pass
Metered Demand HV and EHV	Out of scope	Out of scope	Out of scope
Metered Demand EHV and above	Out of scope	Out of scope	Out of scope
Distributed Generation LV	Did not pass	Did not pass	Did not pass
Distributed Generation HV and EHV	Out of scope	Out of scope	Out of scope
Unmetered LA	Pass	Out of scope	Out of scope
Unmetered PFI	Out of scope	Out of scope	Out of scope
Unmetered Other	Pass	Pass	Pass

## Reasons for proposals - LPN

- 8.3. This section explains the reasons for our proposals pertaining to the RMS in the LPN region, with figures from chapter 10 of the annex referenced.

### Metered Demand LV

- 8.4. LPN's market share in terms of offered connections and associated offered capacity decreased from 92% to 90% and from 89% to 87%, respectively, between 2018 and 2021. In terms of acceptances, LPN's share of accepted connections and associated accepted capacity decreased from 95% to 92% and from 94% to 88% respectively, over the assessment period. The number of third parties issuing quotes increased from 29 to 51, over the assessment period and an average of six third parties completed connections. In terms of total market size, on average, there were 2,092 offers made and 885 connections completed, over the assessment period.
- 8.5. On this basis, we are minded to **not pass** the Metered Demand LV RMS. Despite the relatively high level of market activity, we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

### Metered Demand HV

- 8.6. LPN's market share in terms of offered connections increased from 64% to 70% over the assessment period, with the associated offered capacity declining from 54% to 49% between 2018 and 2020, before increasing to 65% in 2021. LPN's market share in terms of accepted connections decreased from 76% in 2018 to 64% in 2021. Their share of associated capacity increased from 53% in 2018 to 57% in 2019 but subsequently decreased to 43% in 2021. The number of third parties issuing quotes decreased from 46 to 39 between 2018 and 2019, before increasing to 76 in 2021, with those making connections averaging at 12 annually. In terms of total market size, on average, there were 1,491 offers made and 387 connections completed per year.
- 8.7. On this basis, we are minded to **pass** the Metered Demand HV RMS and permit LPN to charge an unregulated margin as we believe that the evidence demonstrates that effective competition has developed as third parties are successfully competing and winning projects against the DNO.

### **Distributed Generation LV**

- 8.8. There were a total of two offers between 2018 and 2021, with both coming in 2021. On this basis, we are minded to **not pass** the Distributed Generation LV RMS, and thus we are not minded to remove the regulated margin.
- 8.9. While the figures illustrate a very limited amount of third-party activity, we have reason to believe that there is potential for competition to further develop in this RMS. This is because third parties have been relatively more active in this RMS across other DSAs in GB over the assessment period. Therefore, although third party presence might be limited today, we cannot be confident that the removal of the regulated margin would be in the interests of consumers should third parties choose to operate within this RMS in RIIO-ED2 and beyond.

### **Unmetered LA**

- 8.10. LPN's market share fluctuated between 1% and 4% between 2018 and 2021. Accordingly, third parties' share of completed units was between 96% and 99%. There were between 12 and 14 third parties completing units, and 22 to 27 issuing quotes between 2018 and 2021. In terms of market size, the number of units completed decreased from 3,503 in 2018 to 2,888 in 2019 but increased to 3,213 in 2020 and reached 3,732 in 2021.
- 8.11. On this basis, we are minded to **pass** the Unmetered LA RMS and permit LPN to charge an unregulated margin as we believe that the evidence demonstrates that effective competition has developed as third parties are successfully competing and winning projects against the DNO.

### **Unmetered Other**

- 8.12. LPN's market share decreased from 45% in 2018 to 7% in 2021. Third parties consistently increased their market share from 55% to 93% between 2018 and 2021. There were four to six third parties issuing quotes, on average, over the assessment period with the number of third parties completing units, varying between four and seven.
- 8.13. On this basis, we are minded to **pass** the Unmetered Other RMS and permit LPN to charge an unregulated margin, as we believe that the evidence demonstrates that

effective competition has developed as third parties are successfully competing and winning projects against the DNO.

## Reasons for proposals - SPN

8.14. This section explains the reasons for our proposals pertaining to the RMS in the SPN region, with figures from chapter 11 of the annex referenced.

### Metered Demand LV

8.15. SPN's market share in terms of offered connections and associated offered capacity increased from 88% to 89% and from 82% to 88% respectively, between 2018 and 2021. In terms of acceptances, SPN's share of accepted connections and associated accepted capacity decreased from 93% to 89% and from 90% to 86% respectively, over the assessment period. The number of third parties issuing quotes and completing connections increased from 46 to 65 and six to 12 respectively, over the assessment period. In terms of total market size, offered connections increased from 2,395 to 2,468, peaking at 2,845 in 2020, while total accepted connections declined from 1,055 to 994, over the assessment period.

8.16. On this basis, we are minded to **not pass** the Metered Demand LV RMS. Despite the relatively high level of market activity, we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and thus we are not minded to remove the regulated margin.

### Metered Demand HV

8.17. SPN's market share in terms of offered connections increased from 60% to 71% between 2018 and 2020, before declining to 66% in 2021. Its associated offered capacity increased from 32% to 60% between 2018 and 2020, before decreasing to 49% in 2021. SPN's market share in terms of accepted connections was on average 78%, however, SPN's share of the associated accepted capacity decreased from 58% in 2018 to 51% in 2019, increasing to 56% in 2020, before declining to 45% in 2021. The number of third parties issuing quotes increased from 57 to 103, while the number of third parties completing connections averaged at 13 over the assessment period. In terms of total market size, on average, there were 1,534 offers made and 373 connections completed between 2018 and 2021.

8.18. On this basis, we are minded to **pass** the Metered Demand HV RMS and permit SPN to charge an unregulated margin, as we believe that the evidence demonstrates that effective competition has developed as third parties are successfully competing and winning projects against the DNO.

### **Distributed Generation LV**

8.19. There was a total of five offers between 2018 and 2021 with one connection accepted. This was completed by SPN and there were no third parties making connections over the assessment period.

8.20. On this basis, we are minded to **not pass** the Distributed Generation LV RMS, and thus we are not minded to remove the regulated margin.

8.21. While the figures illustrate a very limited amount of third-party activity, we have reason to believe that there is potential for competition to further develop in this RMS. This is because third parties have been relatively more active in this RMS across other DSAs in GB over the assessment period. Therefore, although third party presence might be limited today, we cannot be confident that the removal of the regulated margin would be in the interests of consumers should third parties choose to operate within this RMS in RIIO-ED2 and beyond.

### **Unmetered Other**

8.22. SPN's market share decreased from 82% in 2018 to 31% in 2019, increasing to 33% in 2020 and 41% in 2021. Accordingly, third parties' share of completed units increased from 18% to 59% over the assessment period. There were between three to eight third parties issuing quotes or completing units between 2018 and 2021. In terms of market size, the number of units completed increased from 316 in 2018 to 636 in 2020 before decreasing to 532 in 2021.

8.23. On this basis, we are minded to **pass** the Unmetered Other RMS and permit SPN to charge an unregulated margin, as we believe that the evidence demonstrates that effective competition has developed as third parties are successfully competing and winning projects against the DNO.

### **Reasons for proposals - EPN**

8.24. This section explains the reasons for our proposals pertaining to the RMS in the EPN region, with figures from chapter 13 of the annex referenced.

### **Metered Demand LV**

8.25. EPN's market share in terms of offered connections and associated offered capacity increased from 86% to 88%, and from 84% to 88%, respectively between 2018 and 2021. In terms of acceptances, EPN's share of accepted connections and associated accepted capacity decreased from 94% to 91%, and from 93% to 89%, respectively over the assessment period. The number of third parties issuing quotes and making connections increased from 12 to 21, and 61 to 94, respectively, over the assessment period. In terms of total market size, on average, there were 3,096 offers made and 1,334 connections completed per year between 2018 and 2021.

8.26. On this basis, we are minded to **not pass** the Metered Demand LV RMS. Despite the relatively high level of market activity, we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

### **Metered Demand HV**

8.27. EPN's market share in terms of offered connections increased from 63% to 70% over the assessment period. In terms of associated offered capacity, it increased from 36% to 56% between 2018 and 2020, before decreasing to 45% in 2021. EPN's market share in terms of acceptances decreased from 82% to 77% over the assessment period. In terms of associated accepted capacity, it increased from 47% to 74% between 2018 and 2019 but decreased to 59% in 2020 and 41% in 2021. The number of third parties issuing quotes increased from 89 to 121, over the assessment period, and those making connections averaged at 22 annually. In terms of total market size, on average, there were 3,077 offers made and 1,851 connections completed, per year, between 2018 and 2021.

8.28. On this basis, we are minded to **pass** the Metered Demand HV RMS and permit EPN to charge an unregulated margin as we believe that the evidence demonstrates that effective competition has developed as third parties are successfully competing and winning projects against the DNO.

### **Distributed Generation LV**

- 8.29. There were a total of 27 offers between 2018 and 2021 and seven connections were accepted. These were all completed by EPN and there were no third parties making connections over the assessment period.
- 8.30. On this basis, we are minded to **not pass** the Distributed Generation LV RMS, and thus we are not minded to remove the regulated margin.
- 8.31. While the figures illustrate a very limited amount of third-party activity, we have reason to believe that there is potential for competition to further develop in this RMS. This is because third parties have been relatively more active in this RMS across other DSAs in GB over the assessment period. Therefore, although third party presence might be limited today, we cannot be confident that the removal of the regulated margin would be in the interests of consumers should third parties choose to operate within this RMS in RIIO-ED2 and beyond.

### **Unmetered Other**

- 8.32. EPN's market share in terms of units completed decreased from 93% in 2018 to 32% in 2019, increased to 47% in 2020 and decreased back to 32% in 2021. Third parties' share of completed units increased from 7% to 68% over the assessment period. The number of third parties issuing quotes and completing units increased from five to ten and five to 11, respectively, over the assessment period. In terms of market size, the total number of units completed decreased from 1,153 in 2018 to 684 in 2021.
- 8.33. On this basis, we are minded to **pass** the Unmetered Other RMS and permit EPN to charge an unregulated margin as we believe that the evidence demonstrates that effective competition has developed as third parties are successfully competing and winning projects against the DNO.



## 9. Scottish Power Energy Networks minded-to proposals

### Section summary

This section sets out our minded-to proposals in relation to Scottish Power Energy Networks ('SPEN') data submissions for both their DSAs. We request all respondents to read this in conjunction with chapters 13 and 14 of the annex.

### Overview

- 9.1. Across both DSAs, Scottish Power Distribution ('SPD') and Scottish Power Manweb ('SPMW'), there were 14 RMS in scope of this review.
- 9.2. SPD had passed the Metered Demand LV and Metered Demand HV RMS in the previous Competition Test, and submitted data for five RMS through this competition review. Data was not provided for the Unmetered PFI and the Metered Demand EHV and above RMS.
- 9.3. SPMW had passed the Unmetered LA and Unmetered PFI RMS in the previous Competition Test, and submitted data for six RMS through this competition review. Data was not provided for the Metered Demand EHV and above RMS.

**Table 8: SPEN minded-to proposals**

RMS	SPD	SPMW
Metered Demand LV	Out of scope	Did not pass
Metered Demand HV	Out of scope	Did not pass
Metered Demand HV and EHV	Did not pass	Did not pass
Metered Demand EHV and above	No data provided	No data provided
Distributed Generation LV	Pass	Did not pass
Distributed Generation HV and EHV	Pass	Did not pass
Unmetered LA	Did not pass	Out of scope
Unmetered PFI	No data provided	Out of scope
Unmetered Other	Did not pass	Did not pass

## Reasons for proposals - SPD

- 9.4. This section explains the reasons for our proposals pertaining to the RMS in the SPD region, with figures from chapter 13 of the annex referenced.
- 9.5. Data was not provided for the Unmetered PFI and Metered Demand EHV and above RMS. As stated in paragraph 4.15, in the absence of any further information, we will maintain the regulated margin.

## Metered Demand HV and EHV

- 9.6. This RMS is relatively smaller in terms of connections activity, and fluctuated annually. The data indicated that SPD strengthened its position in the RMS, increasing their market share, measured through the number of connections offered, from 11% in 2018 to 73% in 2021. In terms of acceptances, there was a total of five accepted connections between 2018 and 2021, three of which made by SPD and two by third parties. Additionally, there were five to nine third parties issuing quotations and one to two third parties making connections.
- 9.7. On this basis, we are minded to **not pass** the Metered Demand HV and EHV RMS as we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and thus we are not minded to remove the regulated margin .

## Distributed Generation LV

- 9.8. SPD's data submissions indicated that this RMS was relatively larger than Distributed Generation LV RMS across GB. The number of offers varied between 455 and 764 over the assessment period, and the number of accepted connections varied between 65 and 102, finishing on 95 in 2021. SPD's share of offered connections never surpassed 40%, achieved in 2018. In relation to acceptances, SPD's market share fluctuated, decreasing from 35% in 2018 to 19% in 2020, subsequently increasing to 38% in 2021. The associated accepted capacity also decreased from 54% in 2018 to 31% in 2021. Additionally, there were between 12 and 23 third parties completing connections, with ten to 16 issuing quotes over the assessment period.
- 9.9. On this basis, we are minded to **pass** the Distributed Generation LV RMS and permit SPD to charge an unregulated margin, as we believe that the evidence demonstrates

that effective competition has developed as third parties are successfully competing and winning projects against the DNO.

### **Distributed Generation HV and EHV**

9.10. The number of connections offers varied between 823 to 513, and acceptances averaging at 92 a year. SPD's share of connections offered maintained a downward trend from 43% in 2018 to 20% in 2021, while their share of offered capacity decreased from 97% in 2018 to 79% in 2020 before increasing to 89% in 2021. Additionally, in terms of accepted connections, SPD's market share decreased from 30% in 2018 to 24% in 2021, while the associated capacity rose from 37% in 2018 to 65% in 2019 but decreased back to 36% in 2020 and to 20% in 2021. This indicates that third parties issued more quotations than SPD, and made the majority of connections every year (except for 2019). Additionally, the number of third parties issuing connections ranged from 16 to 23 over the assessment period, and the number of third parties completing connections ranged from seven to 15.

9.11. On this basis, we are minded to **pass** the Distributed Generation HV and EHV RMS and permit SPD to charge an unregulated margin, as we believe that the evidence demonstrates that effective competition has developed as third parties are successfully competing and winning projects against the DNO.

### **Unmetered LA**

9.12. SPD's share of units completed decreased from 69% in 2018 to 29% in 2019 but increased to 76% in 2020 and to 79% in 2021. Third parties' market share exceeded SPD's only in 2019 when it was 71%. The number of third parties completing units fluctuated between one and four over the assessment period, and the total market size appears to be on a downward trend, with units completed decreasing from 3,750 in 2018 to 1,915 in 2021.

9.13. On this basis, we are minded to **not pass** the Unmetered LA RMS, as we do not believe that effective competition has developed, and that the removal of price control regulation would be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

### **Unmetered Other**

- 9.14. SPD's share of completed units varied substantially between 2018 and 2021; decreasing from 69% in 2018 to 7% in 2019, subsequently, increasing to 36% in 2020 and 80% by 2021. Third parties' share of completed units consistently increased from 31% in 2018 to 93% in 2019, before decreasing to 64% and to 20% by 2021. Four third parties were offering quotes with two to four completing connections. Similar to SPD's Unmetered LA RMS, market size has decreased from 937 in 2018 to 313 in 2021, reaching a low of 191 in 2020.
- 9.15. On this basis, we are minded to **not pass** the Unmetered Other RMS, as we do not believe that effective competition has developed, and that the removal of price control regulation would be a detriment to the further development of effective competition. However, we believe that despite the falling market size, there is still a prospect for competition to further develop, and thus will not permit any changes to the regulated margin.

### **Reasons for proposals - SPMW**

- 9.16. This section explains the reasons for our proposals pertaining to the RMS in the SPMW region, with figures from chapter 14 of the annex referenced.
- 9.17. Data was not provided for the Metered Demand EHV and above RMS. As stated in paragraph 4.15, in the absence of any further information, we will maintain the regulated margin.

### **Metered Demand LV**

- 9.18. SPMW's share of offered connections increased from 76% to 89% and the associated capacity offered increased from 83% to 90% between 2018 and 2021. Over the same period, their share of accepted connections fluctuated between 87% and 91%, whilst the associated capacity accepted decreased from 94% to 90%. The number of offered and accepted connections decreased from 1,171 to 888 and from 345 to 328 respectively, over the assessment period. The number of third parties issuing quotations decreased from 53 in 2018 to 19 in 2021, while those making connections fluctuated from 26 in 2018 to 40 in 2019, 30 in 2020 and 25 in 2021.
- 9.19. On this basis, we are minded to **not pass** the Metered Demand LV RMS, as we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. However, we believe that there is a

prospect for competition to further develop, and thus we are not minded to remove the regulated margin.

### **Metered Demand HV**

- 9.20. SPMW's share of connections offered fluctuated from 67% to 72% between 2018 and 2019, before declining to 63% in 2021. Their share of associated offered capacity decreased as well, from 47% in 2018 to 42% in 2021. Over the same period, SPMW's accepted connections decreased from 90% in 2018 to 84% in 2021; whilst their share of associated capacity declined from 80% to 61%. The number of third parties issuing quotations decreased from 73 to 55 between 2018 and 2021, whilst those making connections increased from 17 to 23 over the same period. Additionally, the size of this market is relatively large. The number of offers stayed broadly constant at 1,608 in 2018 and 1,610 in 2021, with acceptances averaging at approximately 379 per year.
- 9.21. On this basis, we are minded to **not pass** the Metered Demand HV RMS, as we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

### **Metered Demand HV and EHV**

- 9.22. This RMS is relatively small in terms of connections activity demonstrated by a total of 172 offers and 13 acceptances between 2018 and 2021. SPMW's share of offered connections decreased from 38% in 2018 to 23% in 2021 and the associated capacity offered fell from 55% to 50% over the same period, with a low of 41% in 2020. In terms of acceptances, SPMW had a 50% acceptance rate each year until 2021, when it increased to 80%. The associated accepted capacity on average was 93% for all years, except 2019 where the market share was 57%. Additionally, the data indicates that between 15 and 19 third parties were issuing quotes, but only one to two third parties were making connections between 2018 and 2021.
- 9.23. On this basis, we are minded to **not pass** the Metered Demand HV and EHV RMS as we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. However, we believe that there is a prospect for competition to further develop, and thus we are not minded to remove the regulated margin.

### **Distributed Generation LV**

- 9.24. There was a total of 30 accepted connections between 2018 and 2021, 29 of which were made by SPMW. As such, their market share was 100% across all metrics, except for 2019, when a third party completed a single connection.
- 9.25. On this basis, we are minded-to **not pass** the Distributed Generation LV RMS and thus we are not minded to remove the regulated margin.
- 9.26. While the figures illustrate a very limited amount of third-party activity, we have reason to believe that there is potential for competition to further develop in this RMS. This is because third parties have been relatively more active in this RMS across other DSAs in GB over the assessment period. Therefore, although third party presence might be limited today, we cannot be confident that the removal of the regulated margin would be in the interests of consumers should third parties choose to operate within this RMS in RIIO-ED2 and beyond.

### **Distributed Generation HV and EHV**

- 9.27. SPMW's share of offered connections and associated offered capacity decreased from 99% to 92% and 99% to 95% respectively between 2018 and 2021. In terms of acceptances, SPMW's market share was, on average, 86%. In terms of associated capacity completed, the market share was approximately 81% in 2018, 2019 and 2021 (although this fell to 49% in 2020). The number of third parties was relatively low, fluctuating annually from one to three parties issuing quotes. Third parties making connections increased from two in 2018 to seven in 2019, decreased to one in 2020 and increased again to five in 2021.<sup>24</sup> In terms of the size of the market measured through the total amount of offers, it decreased from 172 to 50 between 2018 and 2021, while acceptances increased from 18 in 2018 to a peak of 43 in 2019, before falling to 28 in 2021.
- 9.28. On this basis, we are minded to **not pass** the Distributed Generation HV and EHV RMS, as we do not believe that effective competition has developed and that the removal of price control regulation would be a detriment to the further development of effective

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<sup>24</sup> We note that the data submitted by the DNO for this RMS contains instances where the number of third parties making connections is higher than those issuing quotes.

competition. We believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

### **Unmetered Other**

9.29. SPMW completed all units over the assessment period and the data submission indicated no third party activity. The total size of the market fluctuated over time from 212 units completed in 2018 to eight in 2019, 100 in 2020 and seven in 2021.

9.30. On this basis, we are minded to **not pass** the Unmetered Other RMS, and thus we are not minded to remove the regulated margin.

9.31. While the figures illustrate a very limited amount of third-party activity, we have reason to believe that there is potential for competition to further develop in this RMS. This is because third parties have been relatively more active in this RMS across other DSAs in GB over the assessment period. Therefore, although third party presence might be limited today, we cannot be confident that the removal of the regulated margin would be in the interests of consumers should third parties choose to operate within this RMS in RIIO-ED2 and beyond.

## 10. Scottish and Southern Energy Networks minded-to proposals

### Section summary

This section sets out our minded-to proposals in relation to Scottish and Southern Energy Networks ('SSEN') data submissions for both their DSAs. We request all respondents to read this in conjunction with chapters 15 and 16 of the annex.

### Overview

- 10.1. Across both DSAs, Scottish and Southern Scottish Hydro Electric Power Distribution ('SSEH') and Scottish and Southern Energy Networks Southern Electric Power Distribution ('SSES'), there were 16 RMS in scope of this review.
- 10.2. SSEH had not passed any RMS in the previous Competition Test, and submitted data for seven RMS through this competition review. Data was not provided for the Unmetered PFI and Metered Demand EHV RMS.
- 10.3. SSES had passed the Distributed Generation HV and EHV and Unmetered PFI RMS in the previous Competition Test, and submitted data for seven RMS through this competition review.

**Table 9: SSEN minded-to proposals**

RMS	SSEH	SSES
Metered Demand LV	Did not pass	Did not pass
Metered Demand HV	Did not pass	Pass
Metered Demand HV and EHV	Did not pass	Pass
Metered Demand EHV and above	No data provided	Pass
Distributed Generation LV	Did not pass	Did not pass
Distributed Generation HV and EHV	Pass	Out of scope
Unmetered LA	Did not pass	Pass
Unmetered PFI	No data provided	Out of scope
Unmetered Other	Did not pass	Did not pass



## Reasons for proposals - SSEH

- 10.4. This section explains the reasons for our proposals pertaining to the RMS in the SSEH region, with figures from chapter 15 of the annex referenced.
- 10.5. Data was not provided for the Unmetered PFI and Metered Demand EHV and above RMS. As stated in paragraph 4.15, in the absence of any further information, we will maintain the regulated margin.

### Metered Demand LV

- 10.6. SSEH's market share in terms of offers decreased from 91% to 81%, while the associated offered capacity decreased from 87% to 76%, between 2018 and 2021, demonstrating third parties' relative success in competing with the DNO. In relation to acceptances, SSEH's market share decreased from 96% to 88%, and the associated accepted capacity decreased from 95% to 88%, between 2018 and 2021, demonstrating how SSEH still complete the majority of connections in this RMS. Additionally, the number of third parties making offers fluctuated between 14 and 17, with an average of eight making connections. Lastly, acceptances ranged from 489 to 343, and offers ranged from 962 to 692 over the assessment period.
- 10.7. On this basis, we are minded to **not pass** the Metered Demand LV RMS. Despite the high volume of activity, we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. However, we believe that there is a prospect for competition to further develop, and thus we are not minded to remove the regulated margin.

### Metered Demand HV

- 10.8. SSEH's share of offered connections was stable, averaging at approximately 95%. The share of associated offered capacity was 71% between 2018 and 2020, and 80% in 2021. Similarly, SSEH's share of accepted connections decreased from 97% in 2018 to 94% in 2021, whilst their share of associated accepted capacity declined from 72% to 66%, indicating that third parties are being increasingly successful in winning and completing connections. The number of third parties offering connections increased from 12 in 2019 to 23 in 2021, and the number of third parties completing connections fluctuated between eight and 16 over the assessment period. Lastly, this is a large yet decreasing RMS, in terms of market activity, with the total number of offered

connections decreasing from 2165 in 2018 to 1489 in 2021, and the total number of acceptances from 897 to 622.

- 10.9. On this basis, we are minded to **not pass** the Metered Demand HV RMS. Despite the high volume of activity, we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

### **Metered Demand HV and EHV**

- 10.10. SSEH's share of offered connections increased from 86% in 2018 to 96% in 2021 with the associated offered capacity increased from 31% to 73% over the same period. In relation to acceptances, SSEH's market share accounted for 79% to 97% of all accepted connections between 2018 and 2021. However, until 2020, these connections were relatively small, accounting for 18% to 35% of accepted capacity and in 2021, increasing to 91%. The number of third parties issuing quotations decreased from 14 to four, while third parties making connections increased from two to six over the assessment period. Lastly, the total number of offers have been on a downward trend from 250 to 140 and acceptances declining from 72 to 49 over the assessment period.

- 10.11. On this basis, we are minded to **not pass** the Metered Demand HV and EHV RMS. Despite third parties completing the majority of capacity, we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition for all customers. We believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

### **Distributed Generation LV**

- 10.12. SSEH's share of offered connections increased from 45% to 60%, with the associated offered capacity increasing from 42% to 52%, over the assessment period. In relation to acceptances, SSEH's share of accepted connections increased from 71% in 2018 to 86% in 2019, decreasing to 70% in 2021. Accepted capacity increased from 71% to 80% before falling to 64% by the end of the assessment period. There was an average of nine third parties issuing quotes, and three to seven making connections over the assessment period, except for 2019, where no third parties made a connection. The

market has increased in size over time, with total offers increasing from 65 to 93, and acceptances increasing from 17 to 47.

10.13. On this basis, we are minded to **not pass** the Distributed Generation LV RMS, as we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

### **Distributed Generation HV and EHV**

10.14. SSEH's share of offered connections decreased from 91% to 73%, with the associated offered capacity increasing from 86% to 95% in 2019, before declining to 89% in 2021. In relation to acceptances, SSEH's market share increased from 51% in 2018 to 67% in 2019 but decreased to 57% in 2020 and 55% in 2021. Their share of associated capacity rose from 30% in 2018 to 60% in 2019 but decreased to 41% in 2020 and increased to 53% in 2021. The number of third parties issuing quotes fluctuated from 21 to 12, between 2018 and 2019, rising to 22 in 2020, before falling to 19 in 2021. The number of third parties completing connections increased from eight in 2018 to 15 in 2020, before decreasing to seven in 2021. Lastly, the market decreased in size, when measured through the number of connections offered, decreasing from 618 to 151 over the assessment period. However, accepted connections increased from 85 in 2018 to 130 in 2020, before decreasing to 74 in 2021.

10.15. On this basis, we are minded to **pass** the Distributed Generation HV and EHV RMS and permit SSEH to charge an unregulated margin, as we believe that the evidence demonstrates that effective competition has developed as third parties are successfully competing and winning projects against the DNO.

### **Unmetered LA**

10.16. There were 1700 units completed a year on average over the assessment period. SSEH completed all units in this market every year, except for 2018 when SSEH completed 95% of all units and a single third party completed 5% of units.

10.17. On this basis, we are minded-to **not pass** the Unmetered LA RMS and thus we are not minded to remove the regulated margin.

10.18. While the figures illustrate a very limited amount of third-party activity, we have reason to believe that there is potential for competition to further develop in this RMS. This is because third parties have been relatively more active in this RMS across other DSAs in GB over the assessment period. Therefore, although third party presence might be limited today, we cannot be confident that the removal of the regulated margin would be in the interests of consumers should third parties choose to operate within this RMS in RIIO-ED2 and beyond.

### **Unmetered Other**

10.19. SSEH's market share in terms of units completed decreased from 75% in 2018 to 46% in 2019, but increased to 56% in 2020 and then to 67% in 2021. In terms of the number of third parties, two to four third parties issued quotes, and two to three third parties completed units between 2018 and 2021. The number of units completed decreased from 975 in 2018 to 265 in 2021.

10.20. On this basis, we are minded to **not pass** the Unmetered Other RMS, as we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. However, we believe that there is a prospect for competition to further develop, and thus we are not minded-to remove the regulated margin.

### **Reasons for proposals - SSES**

10.21. This section explains the reasons for our proposals pertaining to the RMS in the SSES region, with figures from chapter 16 of the annex referenced.

### **Metered Demand LV**

10.22. SSES's share of offered connections decreased from 88% to 80%, while the associated capacity offered decreased from 84% to 76%, between 2018 and 2021. Similarly, SSES's share of accepted connections decreased from 93% to 84%, and their share of associated capacity decreased from 92% to 80%, over the assessment period. The number of third parties issuing quotes increased from 49 in 2018 to 64 in 2021, reaching a maximum of 71 in 2020. Similarly, third parties making connections increased from 22 in 2018 to 35 in 2021, peaking at 42 in 2020. The total size of the market decreased over the assessment period with the number of offers falling from 3,645 to 2,832 and the number of acceptances declining from 1,677 to 1,121.

10.23. On this basis, we are minded to **not pass** the Metered Demand LV RMS. Despite the high volume of activity, we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

### **Metered Demand HV**

10.24. SSES's share of offered connections increased from 67% in 2018 to 76% in 2021. Their share of associated offered capacity increased from 47% in 2018 to 62% in 2020, and decreased to 56% in 2021. SSES's share of accepted connections decreased from 81% in 2018 to 73% in 2021, whilst their share of associated capacity also declined from 60% in 2018 to 43% in 2021. The number of third parties issuing quotes increased from 67 to 114, and completing connections increased from 25 to 53 over the assessment period. The size of the market, measured through the numbers of connections offers and acceptances, indicated a large yet decreasing RMS, with offers declining from 4,266 to 3,191 and the number of acceptances averaging at 1060 over the assessment period.

10.25. On this basis we are minded to **pass** the Metered Demand HV RMS and permit SSES to charge an unregulated margin, as we believe that the evidence demonstrates that effective competition has developed as third parties are successfully competing and winning projects against the DNO.

### **Metered Demand HV and EHV**

10.26. SSES's share of offered connections increased from 36% in 2018 to 65% in 2021. Their share of associated offered capacity increased from 40% in 2018 to 62% in 2020, and decreased to 56% in 2021. SSES's share of accepted connections decreased from 53% to 35% between 2018 and 2019, increased back to 50% in 2020, before declining to 40% in 2021. In terms of associated capacity accepted, SSES's market share decreased from 50% to 4% between 2018 and 2019, increased to 30% in 2020, before declining to 9% in 2021. The number of third parties issuing quotes increased from 24 to 45, and completing connections increased from six to 18 over the assessment period. On average, 170 connections were offered, with an average of 32 acceptances for relatively high value connections.

10.27. On this basis we are minded to **pass** the Metered Demand HV and EHV RMS and permit SSES to charge an unregulated margin, as we believe that the evidence demonstrates that effective competition has developed as third parties are successfully competing and winning projects against the DNO.

### **Metered Demand EHV and above**

10.28. SSES's share of offered connections decreased from 36% in 2018 to 27% in 2019, before increasing to 54% in 2020 and decreasing again to 51% in 2021. Their share of associated offered capacity increased from 26% in 2018 to 64% in 2021. SSES's share of accepted work was consistently below 30% over the assessment period. The number of third parties issuing quotes increased over time, as there was on average 14 third parties issuing quotes between 2018 and 2020, increasing to 46 in 2021. Additionally, two third parties made connections in 2018, increasing to 14 in 2021. The size of the market increased over the assessment period, from 33 total offers and seven acceptances in 2018, to 80 offers and 21 acceptances in 2021.

10.29. On this basis we are minded to **pass** the Metered Demand EHV and above RMS and permit SSES to charge an unregulated margin, as we believe that the evidence demonstrates that effective competition has developed as third parties are successfully competing and winning projects against the DNO.

### **Distributed Generation LV**

10.30. SSES's market share, in terms of the number of offers, increased from 77% to 94% over the assessment period, with associated capacity offered increasing from 73% to 92% as well. SSES's share of accepted connections decreased from 75% in 2018 to 53% in 2019, but increased to 87% in 2021. The associated accepted capacity decreased from 86% in 2018 to 37% in 2019, before increasing to 82% in 2021. There were one to three third parties making connections annually, but third parties issuing quotes decreased from seven in 2018 to three in 2021. The size of the market, on average, was a total of 35 offers and 16 acceptances between 2018 and 2020. In 2021 this increased with 64 offers and 31 acceptances.

10.31. On this basis, we are minded to **not pass** the Distributed Generation LV RMS as we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. We believe that there is a prospect for competition to further develop, and therefore retaining the regulated margin would be in the best interests of consumers.

### Unmetered LA

10.32. SSES's market share increased from 3% in 2018 to 33% in 2020, but decreased to 2% in 2021. Consistently, third parties' share of completed units decreased from 97% in 2018 to 67% in 2020, but increased to 98% in 2021. The number of third parties issuing quotes and completing units increased from 12 to 28, and 10 to 25, respectively, over the assessment period. Additionally, the total number of units completed decreased from 11,999 in 2018 to 4,916 in 2021.

10.33. On this basis we are minded to **pass** the Unmetered LA RMS and permit SSES to charge an unregulated margin, as we believe that the evidence demonstrates that effective competition has developed as third parties are successfully competing and winning projects against the DNO.

### Unmetered Other

10.34. SSES's market share was on average 84% between 2018 and 2020, decreasing to 71% in 2021. The number of third parties completing units increased from seven to 26 over the assessment period, and the number of units completed increased from 2,360 in 2018 to 9,982 in 2020 but decreased to 3,135 in 2021.

10.35. On this basis, we are minded to **not pass** the Unmetered Other RMS, as we are not confident that the removal of price control regulation would not be a detriment to the further development of effective competition. However, we believe that there is a prospect for competition to further develop, and thus we are not minded to remove the regulated margin.