

The background features a large, stylized white arrow pointing right, overlaid on a blurred image of a modern building with a glass facade and a large, glowing light fixture. The overall color palette is light and airy, with soft blues and whites.

The process for extending contestability

31 August 2011

Process for extending contestability

1. DNOs trial the extension of contestability and the EoC subgroup discusses barriers encountered and ways they can be overcome. DNOs and stakeholders measure whether trials are a success
2. Ofgem in-principle consultation (December) and decision (February/March)
3. If Ofgem's in-principle decision is positive - DNOs submit mods to make activities contestable (see slide 5)

We have considered the process further following the 20 July meeting.
Do the sub-group consider we are taking the correct approach?

What is an effective trial

- There has been ICP interest, ie ICPs have wanted to complete joints
- The ICP has been able to complete the live joints safely
- DNO procedures/policies have not prevented the ICP from competing with the DNO (ie, in terms of cost/speed) and are acceptable to ICPs?
- The DNO must be able to implement the live jointing processes/procedure/terms on a business as usual basis
 - they should be workable and not ICP specific

We look to the sub-group to develop some common criteria for assessing trial success.

What will Ofgem's consultation on extending contestability cover?

- Whether respondents' agree that trials have been a success?
- Whether licence amendments are required to reflect the extension of contestability – eg, updating SLC 15?
- Whether stakeholders consider that in-principle contestability should be extended and the degree to which it should be extended?
 - Live jointing/operational activity
 - Metered, unmetered, voltage level, underground/overhead lines
- Views on our intention that:
 - when activity becomes contestable (in a DNOs charging methodology) the 4%/unregulated margin will apply automatically.
 - that we do not intend to consult again before approving charging modifications.

What will Ofgem's consultation on extending contestability cover?

Views on options for extending contestability :

Option 1 – Following our in-principle decision, no deadline by which DNOs must submit charging mods to make activities contestable.

Option 2 – Following our in-principle decision, DNOs expected to submit a joint charging mod to make activities contestable within 3 months.

Option 3 – Following our in-principle decision, DNOs expected to submit mods (not necessarily joint) within 6 months.

If our in-principle decision extends contestability:

- It may be difficult for a DNO to pass the Competition Test if their charging methodology does not reflect our in-principle decision.
- It is not enough to simply make an activity contestable in the charging methodology, DNOs must facilitate competition.
 - We will consider barriers to competition in assessing Competition Test applications.
- Where DNOs have not completed trials – this may not be an excuse not to extend contestability
 - It may be possible to use learning from other DNO trials
 - The four per cent margin charged when contestability is extended may stimulate demand

The background of the slide is a composite image. On the left, there are rows of solar panels under a bright sun. On the right, a hand is shown holding a white document. In the bottom left corner, a blue gas burner is visible. The overall theme is energy and customer service.

ofgem

Promoting choice and value
for all gas and electricity customers