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Our ref: MH/OG/ENWL

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Dear James

Response to: Consultation on ENWL's Competition Notice

GTC operates the BUUK licensed electricity distribution businesses of The Electricity Network Company Limited (ENC) and Independent Power Networks Limited (IPNL). Both of these licensee businesses operate as independent distributors (IDNOs) providing and operating last mile networks which in turn connect to DNO distribution systems. Therefore, we witness on a daily basis the behaviours, systems and processes of all the incumbent distributors across Great Britain in the offering of competition in connections.

Over the last 7 years DNO progress on improving competition in connections progress has been slow. We have met with all of the DNOs on many occasions during that time, setting out the type of behaviours and actions that are required to facilitate a competitive market in connections. We acknowledge that some DNOs have "upped" their game to facilitate arrangements for competition in connections with one or two DNO groups being much more proactive than others. Our experience is that despite the promises and assurances given by DNOs in meetings with us are still to translate into tangible actions. Therefore, we still see significant scope for improvement.

In providing responses to Ofgem consultations on DNO submissions we refer to the presentation delivered to DNOs at Ofgem in July 2011 by the Competitive Networks Association (CNA). This highlighted the actions that DNOs needed to take to facilitate competition in connections. In doing this the CNA compared and contrasted process differences for competition in electricity connections with those in place for gas, which is considered by the majority of operators in the competitive market as best practice borne out of significant pressure by Ofgas and latterly Ofgem. The key differences were illustrated in a check list which is reproduced in Annex 1. At the presentation we indicated that in responding to any competition test we would use this checklist as part of the competition test. As you can see from our assessment ENWL leading all of the DNOs and are closest to achieving what was required.

ENWL's submission is something that we support but would like to have assurances that they will address the remaining areas without undue delay. We need to have unfettered access to their network information and be able to deliver a service to our customers without any hindrance. Whilst ENWL's auditing regime is seen as the market leading process for the electricity industry we question the need for detailed auditing where work is undertaken by a suitably accredited agents acting as ICPs. We see this as an issue across the UK where DNOs do not undertake auditing or checks when the same agent acts as a subcontractor to the DNO. Such auditing arrangements impose undue costs on competitors and time delays for customers.

Another area where significant work is still required by all DNOs is the development of systems and processes to enable accredited third parties to undertake their own assessment and design of connections. This is a critical aspect of facilitating the process for competition. We note that DNOs are keen to promote assessment and design charges. Such charges should only be permitted if and when the activity becomes contestable.

Yours sincerely

Mike Harding
Head of Regulation
GTC

Annex 1

Table showing ENWL's progress against targets

Process Area	Gas	DNO Market	ENWL
ICP in control of meeting delivery to customers throughout connections process	✓	X	Partial
Design process managed by the IGT/IDNO	✓	X	Partial
No onerous application process	✓	X	Partial
Process removes need for onerous inspection regimes	✓	X	✓
Self connection process in place	✓	Partial	✓
Behaviour of Upstream Operator doesn't cause loss of work	✓	X	✓
No additional boundary constraints imposed by upstream operator	✓	Partial	✓
Legal/commercial issues agreed and in place	✓	Partial	✓
Agreed Industry wide arrangements (formal agreements)	✓	Partial	✓
Emergency Response Agreements in place across the UK	✓	Partial	Partial

Partial indicates where we have seen significant improvements over the last few years but we are still working with the DNO to refine the process. ENWL's performance on these measures are better than any other DNO in the RSM's that we operate within.

Table of the RMS’s that are relevant to GTC.

Chapter Two

Question	RMS(s)	Response
One: Are customers aware that competitive alternatives exist?	Metered Demand LV <input checked="" type="checkbox"/> DG LV <input type="checkbox"/> Unmetered (Other) <input type="checkbox"/>	GTC believe that with ENWL’s RMS that customers are aware of competition
Two: Do customers have effective choice (ie are customers easily able to seek alternative quotations)?	Metered Demand LV <input checked="" type="checkbox"/> DG LV <input type="checkbox"/> Unmetered (Other) <input type="checkbox"/>	GTC believe that customers have effective choice.
Three: Does ENWL take appropriate measures to ensure that customers are aware of the competitive alternatives available to them?	Metered Demand LV <input checked="" type="checkbox"/> DG LV <input type="checkbox"/> Unmetered (Other) <input type="checkbox"/>	ENWL provide information in various ways to customers to ensure that they are aware of competition.
Four: Are quotations provided by ENWL clear and transparent? Do they enable customers to make informed	Metered Demand LV <input checked="" type="checkbox"/> DG LV <input type="checkbox"/>	The quotations that we receive are clear and transparent. If there are any areas that require clarity this is provide by ENWL’s team.

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Question	RMS(s)	Response
decisions whether to accept or reject a quote?	Unmetered (Other) <input type="checkbox"/>	
Five: Have customers benefitted from competition? Have they seen improvements in ENWL’s price or service quality or have they been able to source a superior service or better price from ENWL’s competitors?	Metered Demand LV <input checked="" type="checkbox"/> DG LV <input type="checkbox"/> Unmetered (Other) <input type="checkbox"/>	GTC believe that customers have benefitted from competition in ENWL’s RSM

Chapter Three

Question	RMS(S)	Response
One: Does the level of competitive activity in the RMSs show that there is the potential for further competition to develop?	Metered Demand LV <input checked="" type="checkbox"/> DG LV <input type="checkbox"/> Unmetered (Other) <input type="checkbox"/>	Whilst there are a number of competitors in the RSM we believe that there is potential for further competition to develop.
Two: Consider the organisational structure of ENWL’s business and its procedures and processes – (a) how do they compare to those you encounter	Metered Demand LV <input checked="" type="checkbox"/> DG LV <input type="checkbox"/> Unmetered (Other) <input type="checkbox"/>	ENWL have always been the leader in best practice across the electricity market. Whilst there are still a few areas to address GTC see them as the role

Question	RMS(S)	Response
<p>elsewhere in the gas and electricity markets or other industries? Do they reflect best practice?</p> <p>(b) do they enable competitors to compete with the timescales for connection (from quote to energisation) offered by ENWL? Or do they offer ENWL any inherent advantage over its competitors or prevent existing competitors from competing with them effectively?</p> <p>(c) do they assist, obstruct or delay connections providers entering the RMSs?</p>		<p>model for the other DNOs. There are still areas to address to bring the electricity market up to the same level as gas. In particular the self-assessment of points of connection and unfettered access to the network to programme work to suit our customer are still areas we wish to develop. We know that ENWL will be keen to assist on this and we need to deliver these in as short a time as possible.</p> <p>We believe that we can deliver a connection to a customer in a timescale that is close to that of ENWL. The issues mentioned above are the keys to ensuring that we can compete in the correct timescale and be judged under our own performance. These issues may require IT infrastructure improvements that we would encourage all DNOs to put in place in the least time possible.</p> <p>ENWL have always been the most helpful in completing connections in the shortest timescale that the processes will allow.</p>

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Question	RMS(S)	Response
<p>Three: Are the non-contestable charges levied by ENWL for statutory connections in the RMSs consistent with those levied for competitive quotations? Are they easily comparable with competitive quotations?</p>	<p>Metered Demand LV <input checked="" type="checkbox"/></p> <p>DG LV <input type="checkbox"/></p> <p>Unmetered (Other) <input type="checkbox"/></p>	<p>We believe that the charges levied by ENWL are comparable.</p>
<p>Four: What factors are key influences on development of competition in the RMSs? In particular, if you are an existing/potential competitor</p> <p>(a) what is the potential for you to enter new RMSs, or grow your share of an RMS you already operate in?</p> <p>(b) are there are any types of connection in any of the RMSs, or geographic locations in ENWL’s DSA, that by their nature, are not attractive to competition? Please explain your response.</p>	<p>Metered Demand LV <input checked="" type="checkbox"/></p> <p>DG LV <input type="checkbox"/></p> <p>Unmetered (Other) <input type="checkbox"/></p>	<p>We can grow our market in the RSM. The main constraint is the use of the LV link box as it is a financial barrier for smaller projects. This is an area that we will continue to talk to ENWL about to see if we can come up with an arrangement that will make this redundant.</p> <p>We do not see any connection activity in the ENWL’s RSM that is not attractive.</p>

Chapter Four

Question	RMS(S)	Response
<p>One: Do you agree with the methods used by ENWL to analyse the level of competition in each of the RMSs covered by its application? In particular, do you consider that ENWL gives a clear indication of the current level of competitive activity?</p>	<p>Metered Demand LV <input checked="" type="checkbox"/></p> <p>DG LV <input type="checkbox"/></p> <p>Unmetered (Other) <input type="checkbox"/></p>	<p>We understand the methodology used by ENWL</p>
<p>Two: Do you consider that competitive activity is at a level that in itself indicates that effective competition exists?</p>	<p>Metered Demand LV <input checked="" type="checkbox"/></p> <p>DG LV <input type="checkbox"/></p> <p>Unmetered (Other) <input type="checkbox"/></p>	<p>We believe that the competition level shows that effective competition exists.</p>

Chapter Seven

Question	RMS(S)	Response
<p>One: Do you consider customers have an effective choice of connections provider? In particular, do you feel that levels of choice, value and service will be protected and will improve if the restriction on ENWL’s ability to earn a margin is removed?</p>	<p>Metered Demand LV <input checked="" type="checkbox"/></p> <p>DG LV <input type="checkbox"/></p> <p>Unmetered (Other) <input type="checkbox"/></p>	<p>We believe that customers will be protected by competition in this RSM.</p>
<p>Two: Do you consider that there is scope for competitors to grow their market share (for example, if ENWL put up its prices or if its quality dropped), or are there factors constraining this?</p>	<p>Metered Demand LV <input checked="" type="checkbox"/></p> <p>DG LV <input type="checkbox"/></p> <p>Unmetered (Other) <input type="checkbox"/></p>	<p>There is scope to grow market share in the RSM.</p>
<p>Three: Do you consider that there is scope/appetite for new participants to enter the market? Do you consider that new entrants would be able to provide similar or better services than existing participants or are there factors constraining this?</p>	<p>Metered Demand LV <input checked="" type="checkbox"/></p> <p>DG LV <input type="checkbox"/></p> <p>Unmetered (Other) <input type="checkbox"/></p>	<p>We believe that ENWL’s RSM is one of the most competitive in the electricity market.</p>

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Question	RMS(S)	Response
Four: Given your overall view of ENWL, do you consider that we can have confidence in them to operate appropriately in the event that price regulation is lifted?	Metered Demand <input checked="" type="checkbox"/> LV <input type="checkbox"/> DG LV <input type="checkbox"/> Unmetered (Other)	We believe that ENWL would operate appropriately.
Five: Do you consider that there are factors not addressed in this consultation that should be taken into consideration in determining whether price regulation should be lifted?	Metered Demand <input checked="" type="checkbox"/> LV <input type="checkbox"/> DG LV <input type="checkbox"/> Unmetered (Other)	We believe that we have mentioned all of the factors that need to be considered.