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Our ref: MH/OG/NPG

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Dear James

Response to: Consultation on NPG'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 NPG still have a number of areas to complete to ensure competition operates effectively.

We think NPG have made significant progress to address many of the issues and we continue to work closely with NPG to complete this work. NPG's submission is something that we would like to support but would like to have assurances that they will address

the remaining areas without undue delay. That being said, we still have concerns about the attitude and culture of parts of the NPG organisation. One such area relates to the auditing regime imposed by some NPG staff and the significantly higher hurdles they apply to work undertaken by ICPs compared to the standards they apply to their own direct labour or subcontractors undertaking similar work. It appears to us that the intent of some individuals is to prevent competition taking hold in their DSAs. If NPG can give guarantees that they can and will control these staff then we are happy to support this application in all of the RSM's that have been submitted and we operate within. We question the need for detailed auditing where work is undertaken by a suitably accredited agents acting as ICPs, but where no auditing or checks are required or undertaken 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 NPG's progress against targets

Process Area	Gas	DNO Market	NPG
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	х
Self connection process in place	✓	Partial	✓
Behaviour of Upstream Operator doesn't cause loss of work	√	х	Partial
No additional boundary constraints imposed by upstream operator	√	Partial	~
Legal/commercial issues agreed and in place	✓	Partial	✓
Agreed Industry wide arrangements (formal agreements)	√	Partial	Partial
Emergency Response Agreements in place across the UK	√	Partial	х

Partial indicates where we have seen significant improvements over the last few years but we are still working with the DNOs' to refine the process.

The onerous inspection regimes is partial as some areas operate this very well whilst some operate draconian procedures designed to frustrate ICPs and drive customers away from using them.

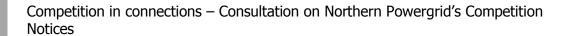


Table of the RMS's that are relevant to GTC.

Market segment	Northern Powergrid (Northeast)	Northern Powergrid (Yorkshire)
1. Metered Demand Low voltage work (LV) – 20 connections and above		
2. Metered Demand HV and Extra High Voltage (EHV) work		\boxtimes
3. Metered Demand EHV and above work	\boxtimes	\boxtimes
4 Distributed Generation (DG) Low Voltage (LV) work – 20 connections and above		
5. Distributed Generation (DG) HV work		
6. Distributed Generation (DG) EHV work		
7. Unmetered local authority (LA) work		
8. Unmetered PFI work		
9. Unmetered Other – 5 connections and above		

When answering the questions below, please check the market segments and DSAs that are relevant to your response. Chapter Two

Question	Segment (s)		DSA(s)		Response
One: Do you, as a customer or competitor, view these	LV – 20 and above		Northeast Yorkshire		do find the need to use a link box on projects below 20
proposed alternatives as distinct segments within the connections market? Are they an appropriate way of	Metered HV/EHV Metered EHV and		TOLKSIIILE		reflective of the size of the network. We are talking to a number of DNOs about the need for this equipment as we would be interested in opening up the smaller LV
segmenting the market for the assessment of effective competition?	above DG LV – 20 and above				market as well. Therefore this is an appropriate split of this segment.
	DG HV				
	DG EHV				
	Unmetered (LA))				
	Unmetered (PFI				
	Unmetered (Other) – 5 and above				
Two: Do you consider Northern Powergrid's definition	LV – 20 and above	\boxtimes	Northeast	\boxtimes	We understand the reasons behind the split.
of each of the proposed alternative market segments to be clear and unambiguous?	Metered HV/EHV	\boxtimes	Yorkshire		

Question	Segment (s)		DSA(s)		Response
	Metered EHV and above	\boxtimes			
	DG LV – 20 and above				
	DG HV				
	DG EHV				
	Unmetered (LA))				
	Unmetered (PFI				
	Unmetered (Other) – 5 and above				
Three: Please provide details of any connection activity which would be difficult to	LV – 20 and above		Northeast	\boxtimes	foresee any issues arising from this in terms of
categorise under the proposed alternative market segments.	Metered HV/EHV		Yorkshire		connection activity.
dicinative market segments.	Metered EHV and above	\boxtimes			
	DG LV – 20 and above				
	DG HV				
	DG EHV				

Question	Segment (s)		DSA(s)		Response
	Unmetered (LA))				
	Unmetered (PFI				
	Unmetered (Other) – 5 and above				
Four : Are there other factors	LV – 20 and	\boxtimes	Northeast	\boxtimes	1 , , , , , , , , , , , , , , , , , , ,
that we should take into account in deciding whether to	above		Yorkshire	\boxtimes	of the applications at the lower end of the category but believe that this would be a very small amount of
accept or reject Northern Powergrid's proposed	Metered HV/EHV				projects.
definitions of the alternative	Metered EHV and				
market segments?	above				
	DG LV – 20 and above				
	DG HV				
	DG EHV				
	Unmetered (LA))				
	Unmetered (PFI				
	Unmetered (Other) – 5 and above				

Chapter Three

Question	Segment(s)		DSA(s)		Response
One: Are customers aware	LV – 20 and	\boxtimes	Northeast	\boxtimes	
that competitive alternatives	above		Vaulcabina		
exist?	Metered HV/EHV	\bowtie	Yorkshire	\boxtimes	
	Metered TIV/LITV				
	Metered EHV and				
	above	\boxtimes			
	DG LV – 20 and				
	above	П			
	above	Ш			GTC deal with most developers in the NPG DSA's and
	DG HV				believe that the majority of large customers are aware of the competitive market.
					of the competitive market.
	DG EHV	Ш			
	Unmetered (LA))				
	Offinetered (E1))	ш			
	Unmetered (PFI				
	Unmetered				
	(Other) – 5 and above	Ш			
Two: Do customers have	LV – 20 and	\boxtimes	Northeast		GTC operate in both DSAs and believe that in both of
effective choice, ie are they	above				these areas there is competition.
easily able to seek quotations			Yorkshire	\boxtimes	
from competitive alternatives?	Metered HV/EHV				
	Metered EHV and				
	Pietered Lity and				

Question	Segment(s)		DSA(s)		Response
	above	\boxtimes			
	DG LV – 20 and above				
	DG HV				
	DG EHV				
	Unmetered (LA))				
	Unmetered (PFI				
	Unmetered (Other) – 5 and above				
Three: Does Northern	LV – 20 and	\boxtimes	Northeast	\boxtimes	<u> </u>
Powergrid take appropriate	above				which ICPs and IDNOs have attended. They also
measures to ensure that customers are aware of the competitive alternatives?	Metered HV/EHV		Yorkshire	\boxtimes	publicise the competitive market on their website and within their quotations.
	Metered EHV and above	\boxtimes			
	DG LV – 20 and above				
	DG HV				
	DG EHV				

Question	Segment(s)		DSA(s)		Response
	Unmetered (LA))				
	Unmetered (PFI				
	Unmetered (Other) – 5 and above				
Four: Are quotations provided	LV - 20 and		Northeast	\boxtimes	•
by Northern Powergrid clear	above		Mandadataa		cannot comment on whether they are clear and
and transparent? Do they enable customers to make informed decisions whether to	Metered HV/EHV	\boxtimes	Yorkshire		transparent. The quotations received by GTC as an ICP provides sufficient information for us to understand what the costs are and what work is required to connect
accept or reject a quote?	Metered EHV and above				our IDNO network.
	DG LV – 20 and above				
	DG HV				
	DG EHV				
	Unmetered (LA))				
	Unmetered (PFI				
	Unmetered (Other) – 5 and above				
Five: Have customers	LV – 20 and	\boxtimes	Northeast	\boxtimes	
benefitted from competition?	above				within the DSAs.

Question	Segment(s)		DSA(s)	Response
Have they seen improvements in Northern Powergrid's price or service quality or have they	Metered HV/EHV	\boxtimes	Yorkshire	We still have concerns about some of the auditing practices carried out by NPG staff that has the effect of increasing the timescale and cost for some of our
been able to source a supplier service or better price from Northern Powergrid's	Metered EHV and above	\boxtimes		projects. This appears to be in specific geographic regions rather than across all of their DSAs. GTC understand that this is being addressed by NPG.
competitors?	DG LV – 20 and above			anderstand that this is being dualessed by in c.
	DG HV			
	DG EHV			
	Unmetered (LA))			
	Unmetered (PFI			
	Unmetered (Other) – 5 and above			

Chapter Four

Question	Segment(s)		DSA(S)	Response
One: Does the level of	LV - 20 and	\boxtimes	Northeast 🖂	GTC believes that as the economic cycle turns then
competitive activity in the	above			there will be more activity within the DSAs
market segment show that			Yorkshire 🖂	
there is the potential for	Metered HV/EHV	\boxtimes	_	
further competition to	,	_		
develop?	Metered EHV and			
	above	\boxtimes		

Question	Segment(s)		DSA(S	5)	Response
	DG LV – 20 and above				
	DG HV				
	DG EHV				
	Unmetered (LA))				
	Unmetered (PFI				
	Unmetered (Other) – 5 and above				
Two: Consider the	LV - 20 and	\boxtimes	Northeas	\boxtimes	
organisational structure of	above		t		
Northern Powergrid's	NA		\ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \	\boxtimes	
business and its procedures	Metered HV/EHV		Yorkshir		
and processes –	Metered EHV and		е		
	above				
	above				We still do not see the market as free as the gas
(a) how do they compare to	DG LV - 20 and				market but it is significantly better than when we
those you encounter	above				started in their DSAs five years ago. Some of their
elsewhere in the gas and					procedures are best practice at the present time but
electricity markets or	DG HV				we believe that there is still work to do. In particular
other industries? Do they	DC ELIV				some parts of NPG still rely on paper based systems
reflect best practice?	DG EHV	Ш			and posting documents rather than utilising emails.
	Unmetered (LA))				GTC have spoken to NPG about these issues and NPG advise that it is in their plan to improve the use of IT to
	Official (LA))	<u> </u>	l		advise that it is in their plan to improve the use of 11 to

Question	Segment(s)		DSA(S)	Response
(b) do they enable competitors to compete with the timescales for connection (from quote to energisation) offered by	Unmetered (PFI Unmetered (Other) – 5 and above		<i>DON(O)</i>	eliminate these potential delays. It is still not possible to compete to the same timescale as NPG. It has significantly improved and the advent of self-connect and self-assessment of points of connection are assisting in this. Like all aspects of the connection work it is far better for the ICP/IDNO to be
Northern Powergrid? Or do they offer Northern Powergrid any inherent advantage over its competitors or prevent existing competitors from competing with them effectively?				in full control of the process. The legal process works like this now and has significantly improved the customer service GTC can offer by allowing us to be in control of the timescale. We will continue to work with NPG to improve the timescale as NPG have committed to us that we will be able to connect in the same timescale as the gas market.
(c) do they assist, obstruct or delay connections providers entering the market segment?				The one areas that we see any delays is as mentioned before, in certain geographic areas where individuals treat us differently to their own projects. NPG are aware of this and we believe are working on changing hearts and minds within these DSAs.
Three: Are the non-contestable charges levied by Northern Powergrid for	LV – 20 and above		Northeast Yorkshire	We do not see the charges levied by NPG as a barrier to competition.
statutory connections consistent with those levied	Metered HV/EHV	\boxtimes	TOLKSTILLE [7]	
for competitive quotations? Are they easily comparable with competitive quotations?	Metered EHV and above	\boxtimes		

Question	Segment(s)		DSA(S)	Response
Do the differences in charges	DG LV – 20 and				
between a POC quote and the	above				
non-contestable elements of					
a full works quote act as a	DG HV				
barrier to competition?					
	DG EHV				
	Unmetered (LA))				
		_			
	Unmetered (PFI				
	Unmetered				
	(Other) – 5 and				
	above			<u> </u>	
Four: What factors are key	LV – 20 and	\boxtimes	Northeas	\boxtimes	
influences on development of	above		t		
competition in the RMSs? In				\boxtimes	
particular, if you are an	Metered HV/EHV	\boxtimes	Yorkshir		
existing/potential competitor:			е		
	Metered EHV and				
(a) what is the potential for	above	\boxtimes			T. I
you to enter new RMSs,	DC 11/ 20 1				The biggest factor to opening up the market for us is to
or grow your share of a	DG LV – 20 and				gain more control of the process. This is beginning to
market segment in which	above	Ш			happen thanks to the work put in by NPG and other
they already operate in?	DC UV				ICPs. GTC believe that the progress over the last few
(b) are there are any times of	DG HV	Ш			years has been significant.
(b) are there are any types of	DG EHV				We do not see any types of connections in the DMC as
connection in any of the	טט בחע	Ш			We do not see any types of connections in the RMS as
market segments, or	Unmotored (LA)				being unattractive to GTC. As mentioned before the
geographic locations in	Unmetered (LA))	Ш			remaining LV RSM of up to 20 plots is less attractive
Northern Powergrid's					due to the expense of the LV link box.

Competition in connections – Consultation on Northern Powergrid's Competition Notices

Question	Segment(s)	DSA(S)	Response
DSAs, that by their	Unmetered (PFI		
nature, are not attractive			
to competition? Please	Unmetered		
explain your response.	(Other) – 5 and		
	above		

Chapter Five

Question	Segments(s)		DSA(S)		Response
One: Do you agree with the	LV – 20 and	\boxtimes	Northeas	\boxtimes	We understand the way that NPG have demonstrated
methods used by Northern	above		t		activity in the RSMs and believe that this is a
Powergrid to analyse the level	Matarad IIV//FIIV/		Vaulcalaina	\boxtimes	reasonable view of activity within their DSAs.
of competition in each of the RMSs or alternative market	Metered HV/EHV	\boxtimes	Yorkshire		
segments covered by its	Metered EHV and				
application? In particular, do	above	\boxtimes			
you consider that Northern					
Powergrid gives a clear	DG LV – 20 and				
indication of the current level	above	Ш			
of competitive activity in each market segment?	DG HV				
aee eegee.					
	DG EHV				
	Unmetered (LA))	Ш			
	Unmetered (PFI				
		Ш			

	Unmetered (Other) – 5 and above				
Two: In each market	LV – 20 and		Northeast	\boxtimes	Whilst we believe that there is a high level of activity
segment, do you consider that competitive activity is at	above		Yorkshire		we are still concerned at the ability of NPG to alter our connection dates through their activity. Whilst this
a level that in itself indicates that effective competition	Metered HV/EHV		TOTASITIE		occurs in a small part of their DSAs it can affect customer's perception of competition and has led to a
exists? In each segment, do you consider that the coverage of existing	Metered EHV and above	\boxtimes			loss of opportunities as customers have been concerned that their connection dates will not be met.
competitive activity extends	DG LV – 20 and				
across the segment?	above				
	DG HV				
	DG EHV				

Unmetered (LA))

Unmetered (PFI

Unmetered
(Other) – 5 and above

Competition in connections – Consultation on Northern Powergrid's Competition

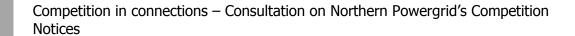
Chapter Seven

Notices

Question	Commont(s)		DCA(C)		Dogwaya
	Segment(s)	<u> </u>	DSA(S)	<u> </u>	Response
One: Do you consider	LV – 20 and	\boxtimes	Northeast	\boxtimes	Subject to NPG following through with their
customers have an effective	above				commitments to allow greater control of project
choice of connections			Yorkshire	\boxtimes	timescales then customers will be protected by choice
provider? In particular, do	Metered HV/EHV	\boxtimes			and the ability to deliver by all market entrants.
you feel that levels of choice,	,				,
value and service will be	Metered EHV and				
protected and will improve if	above	\bowtie			
the restriction on Northern	above				
	DC 11/ 20				
Powergrid's ability to earn a	DG LV – 20 and				
margin is removed?	above				
		_			
	DG HV	Ш			
	DG EHV				
	Unmetered (LA))				
	Omnetered (Ex)	ш			
	Unmetered (PFI				
	Offinetered (FIT	Ш			
	l linear at a un al				
	Unmetered				
	(Other) - 5 and				

	above				
Two: Do you consider that	LV - 20 and	\boxtimes	Northeast	\boxtimes	We believe that there is scope to grow market share as
there is scope for competitors	above				long as market entrants can deliver without being
to grow their market share			Yorkshire	\boxtimes	impinged by the activity of NPG.
(for example, if Northern	Metered HV/EHV	\boxtimes			
Powergrid put up its prices or					
if its quality dropped), or are	Metered EHV and				
there factors constraining this?	above				
uiis:	DG LV - 20 and				
	above				
	450.0				
	DG HV				
	DG EHV	Ш			
	Unmetered (LA))	Ш			
	Unmetered (PFI				
	Offinetered (111	ш			
	Unmetered				
	(Other) – 5 and				
	above				
Three: Do you consider that	LV – 20 and	\boxtimes	Northeast	\boxtimes	I I
there is scope and/or	above				the RSMs.
appetite for new participants	NA		Yorkshire	\boxtimes	
to enter the market? Do you consider that new entrants	Metered HV/EHV	\boxtimes			
would be able to provide	Metered EHV and				
similar or better services than	above	\boxtimes			
existing participants or are	above				
there factors constraining	DG LV - 20 and				

this?	above				
	DG HV				
	DG EHV				
	Unmetered (LA))				
	Unmetered (PFI				
	Unmetered (Other) – 5 and above				
Four: Given your overall	LV – 20 and	\boxtimes	Northeast	\boxtimes	, · · · · · · · · · · · · · · · · · · ·
view of Northern Powergrid, do you consider that we can	above		Yorkshire	\boxtimes	competition. So as long as NPG can control some of their staff effectively then we have confidence in them
have confidence in them to	Metered HV/EHV	\boxtimes			acting appropriately.
operate appropriately in the event that price regulation is lifted?	Metered EHV and above	\boxtimes			
	DG LV – 20 and above				
	DG HV				
	DG EHV				
	Unmetered (LA))				
	Unmetered (PFI				



	Unmetered				
	(Other) – 5 and				
	above				
Five: Do you consider that	LV - 20 and	\boxtimes	Northeast	\boxtimes	
there are factors not	above			_	considered.
addressed in this consultation			Yorkshire	\boxtimes	
that should be taken into consideration in determining	Metered HV/EHV	\boxtimes			
whether price regulation	Metered EHV and				
should be lifted?	above	\boxtimes			
Should be lifted.	above				
	DG LV – 20 and				
	above				
	above	ш			
	DG HV				
	DG EHV				
	Unmetered (LA))				
	Unmetered (PFI				
	`				
	Unmetered				
	(Other) – 5 and				
	above	_			