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Our ref: MH/OG/SSEPD

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Dear James

Response to: Consultation on SSEPD'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 SSEPD still have work to do but we are pleased to see the added commitment they have put in over the last twelve months. If they sustain this push then we believe they can be one of the best performing DNOs in the Competition

market. Our major concern is that as competition ramps up in the SSEPD DSA's that they do not have the necessary IT infrastructure and resources to manage the process.

SSEPD have shown a marked change over the last two years and we are pleased to see the way they have relaxed their position and appear to be fully behind opening up their market. If they can encourage competitors to enter their market GTC believe that the penetration will be in line with the rest of the UK market. One of the key parts to opening competition further is SSEPD allowing all competitors unfettered access to their network information and be able to deliver a service to our customers without any hindrance. SSEPD's auditing regime has significantly changed over the years and is now one of the best performers. However 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 SSEPD's progress against targets

Process Area	Gas	DNO Market	SSEPD
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	Partial
Behaviour of Upstream Operator doesn't cause loss of work	✓	X	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.

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

RMS	SEPD	SHEPD
1. Metered high voltage work (HV)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
2. Metered HV and Extra High Voltage (EHV) work	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
3. Metered EHV and above work	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
4. Distributed Generation (DG) HV and EHV voltage	<input type="checkbox"/>	<input type="checkbox"/>
5. Unmetered local authority (LA) work	<input type="checkbox"/>	
6. Unmetered PFI work	<input type="checkbox"/>	
7. Unmetered Other	<input type="checkbox"/>	

Chapter Two

Question	RMS(s)	DSA(s)	Response
One: Are customers aware that competitive alternatives exist?	Metered HV	<input checked="" type="checkbox"/>	SSEPD's website has always been a difficult one to navigate around and find information about competition. We are pleased to see that they have recognised this and are actively engaged in making it easier to find the required information. To this extent we do not think that all customers are aware of competition and more work is required in this area.
	Metered HV/EHV	<input checked="" type="checkbox"/>	
	Metered EHV & above	<input checked="" type="checkbox"/>	
	DG HV/EHV	<input type="checkbox"/>	
	Unmetered (LA)	<input type="checkbox"/>	
	Unmetered PFI	<input type="checkbox"/>	
	Unmetered (Other)	<input type="checkbox"/>	

Question	RMS(s)	DSA(s)	Response
<p>Two: Do customers have effective choice (ie are customers easily able to seek alternative quotations)? from competitive alternatives?</p>	<p>Metered HV <input checked="" type="checkbox"/></p> <p>Metered HV/EHV <input checked="" type="checkbox"/></p> <p>Metered EHV & above <input checked="" type="checkbox"/></p> <p>DG HV/EHV <input type="checkbox"/></p> <p>Unmetered (LA) <input type="checkbox"/></p> <p>Unmetered PFI <input type="checkbox"/></p> <p>Unmetered (Other) <input type="checkbox"/></p>	<p>SEPD <input checked="" type="checkbox"/></p> <p>SHEPD <input checked="" type="checkbox"/></p>	<p>SSEPD have put a lot of work into the convertible quotation which is a useful tool for competitors to use and explain to customers that they can convert to them. Our concern is that at this stage the customer will have already made their decision so it may be too late in the process for the customer to change. The fact that the RMS's are still dominated by SSEPD shows that customers do not see effective choice at the moment.</p>
<p>Three: Does SSEPD take appropriate measures to ensure that customers are aware of the competitive alternatives available to them?</p>	<p>Metered HV <input checked="" type="checkbox"/></p> <p>Metered HV/EHV <input checked="" type="checkbox"/></p> <p>Metered EHV & above <input checked="" type="checkbox"/></p> <p>DG HV/EHV <input type="checkbox"/></p> <p>Unmetered (LA) <input type="checkbox"/></p> <p>Unmetered PFI <input type="checkbox"/></p>	<p>SEPD <input checked="" type="checkbox"/></p> <p>SHEPD <input checked="" type="checkbox"/></p>	<p>SSEPD are working very hard to ensure that customers are aware of competition. This is very refreshing as we believe that SSEPD have now understood the benefits of competition and want to see it thrive in their DSAs.</p>

Question	RMS(s)	DSA(s)	Response
	Unmetered (Other) <input type="checkbox"/>		
Four: Are quotations provided by SSEPD clear and transparent? Do they enable customers to make informed decisions of whether to accept or reject a quote?	Metered HV <input checked="" type="checkbox"/> Metered HV/EHV <input checked="" type="checkbox"/> Metered EHV & above <input checked="" type="checkbox"/> DG HV/EHV <input type="checkbox"/> Unmetered (LA) <input type="checkbox"/> Unmetered PFI <input type="checkbox"/> Unmetered (Other) <input type="checkbox"/>	SEPD <input checked="" type="checkbox"/> SHEPD <input checked="" type="checkbox"/>	<p>The quotations sent to customers appear to be clear and help customers make decisions on who to use to deliver their project. We do not see the breakdown to the same level as other DNOs so some information is not as transparent as the leading DNOs.</p>
Five: Have customers benefitted from competition? Have they seen improvements in SSEPD's price or service quality, or have they been able to source a superior service or better price from SSEPD's competitors?	Metered HV <input checked="" type="checkbox"/> Metered HV/EHV <input checked="" type="checkbox"/> Metered EHV & above <input checked="" type="checkbox"/> DG HV/EHV <input type="checkbox"/>	SEPD <input checked="" type="checkbox"/> SHEPD <input checked="" type="checkbox"/>	<p>As yet we do not believe that customers have fully benefitted from competition in the DSAs. Historically SSEPD have made it difficult for competitors to operate and so there has not been the market penetration that other DNOs have seen. We believe that now SSEPD are relaxing the way they operate customers will benefit from competition in the future.</p>

Question	RMS(s)	DSA(s)	Response
	Unmetered (LA) <input type="checkbox"/>		
	Unmetered PFI <input type="checkbox"/>		
	Unmetered (Other) <input type="checkbox"/>		

Chapter Three

Question	RMS(S)	DSA(S)	Response
One: Does the level of competitive activity in the RMSs show that there is the potential for further competition to develop?	Metered HV <input checked="" type="checkbox"/>	SEPD <input checked="" type="checkbox"/>	We believe that there is scope for competition to develop in their DSAs. This will be achieved as SSEPD further open up their systems to competitors to operate unfettered.
	Metered HV/EHV <input checked="" type="checkbox"/>	SHEPD <input checked="" type="checkbox"/>	
	Metered EHV & above <input checked="" type="checkbox"/>		
	DG HV/EHV <input type="checkbox"/>		
	Unmetered (LA) <input type="checkbox"/>		
	Unmetered PFI <input type="checkbox"/>		
	Unmetered (Other) <input type="checkbox"/>		
Two: Consider the organisational structure of SSEPD's business and its	Metered HV <input checked="" type="checkbox"/>	SEPD <input checked="" type="checkbox"/>	
	Metered HV/EHV <input checked="" type="checkbox"/>	SHEPD <input checked="" type="checkbox"/>	

Question	RMS(S)	DSA(S)	Response
<p>procedures and processes –</p> <p>(a) how do they compare to those you encounter 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 SSEPD? Or do they offer SSEPD 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>Metered EHV & above <input checked="" type="checkbox"/></p> <p>DG HV/EHV <input type="checkbox"/></p> <p>Unmetered (LA) <input type="checkbox"/></p> <p>Unmetered PFI <input type="checkbox"/></p> <p>Unmetered (Other) <input type="checkbox"/></p>		<p>SSEPD do not reflect best practice yet. They are moving quickly to catch the rest of the market up and we feel that they will overtake most if not all in the future. Our concern is that they are still a small team and as competition picks up, in the way that the surrounding DNOs have seen, they could become swamped and lead to delivery failures. This is something that we are talking to SSEPD about so that they can prepare themselves.</p> <p>It is still not possible to compete to the same timescale as SSEPD. 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 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.</p> <p>We will continue to work with SSEPD to improve the timescale to deliver our customer's projects.</p> <p>In the past SSEPD have been difficult to deal with to enter their market. We are pleased to see that this has changed significantly over the last few years and in the future we can see even more barriers to competition being removed. There appears to have been a</p>

Question	RMS(S)	DSA(S)	Response
			significant shift in direction and we are pleased to see SSEPD improve so much.
<p>Three: Are the non-contestable charges levied by SSEPD for statutory connections in the RMSs consistent with those levied for competitive quotations? Are they easily comparable with competitive quotations? Do the differences in charges between a point of connection (POC) quote and the non-contestable elements of an all works quote act as a barrier to competition?</p>	<p>Metered HV <input checked="" type="checkbox"/></p> <p>Metered HV/EHV <input checked="" type="checkbox"/></p> <p>Metered EHV & above <input checked="" type="checkbox"/></p> <p>DG HV/EHV <input type="checkbox"/></p> <p>Unmetered (LA) <input type="checkbox"/></p> <p>Unmetered PFI <input type="checkbox"/></p> <p>Unmetered (Other) <input type="checkbox"/></p>	<p>SEPD <input checked="" type="checkbox"/></p> <p>SHEPD <input checked="" type="checkbox"/></p>	<p>We do not see the charges levied by SSEPD as a barrier to competition. We would like to see more of the process to connect becoming contestable and will continue to work with SSEPD to open up more of the process to competition.</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>Metered HV <input checked="" type="checkbox"/></p> <p>Metered HV/EHV <input checked="" type="checkbox"/></p> <p>Metered EHV & above <input checked="" type="checkbox"/></p> <p>DG HV/EHV <input type="checkbox"/></p> <p>Unmetered (LA) <input type="checkbox"/></p> <p>Unmetered PFI <input type="checkbox"/></p>	<p>SEPD <input checked="" type="checkbox"/></p> <p>SHEPD <input checked="" type="checkbox"/></p>	<p>There is a great deal of potential in the DSAs and we expect to see more competition and a greater share</p>

Question	RMS(S)	DSA(S)	Response
<p>(a) what is the potential for competitors to enter each RMSs, or grow their share of an the RMS if they already operate in it?</p> <p>(b) are there are any types of connection in any of the RMSs, or geographic locations in SSEPD's DSAs, that by their nature, are not attractive to competition? Please explain your response.</p>	Unmetered <input type="checkbox"/> (Other)		<p>of the market transferring to competitors. This will happen as the barriers are removed and competitors have greater access to the SSEPD's systems.</p> <p>We do not see any types of connections in the RMS as being unattractive to GTC.</p>

Chapter Four

Question	RMS(S)	DSA(S)	Response
<p>One: Do you agree with the methods used by SSEPD to analyse the level of competition in each of the RMSs covered by its application? In particular, do you consider that SSEPD the data provided gives a clear indication of the current level of competitive activity in each RMS?</p>	Metered HV <input checked="" type="checkbox"/> Metered HV/EHV <input checked="" type="checkbox"/> Metered EHV & above <input checked="" type="checkbox"/> DG HV/EHV <input type="checkbox"/> Unmetered (LA) <input type="checkbox"/> Unmetered PFI <input type="checkbox"/> Unmetered (Other) <input type="checkbox"/>	SEPD <input checked="" type="checkbox"/> SHEPD <input checked="" type="checkbox"/>	<p>We understand the method that SSEPD have demonstrated activity in the RMSs and believe that this is a reasonable view of activity within their DSAs.</p>

Two: Do you consider that competitive activity is at a level that in itself indicates that effective competition exists? Do you consider that the coverage of existing competitive activity extends across each RMS?	Metered HV <input checked="" type="checkbox"/> Metered HV/EHV <input checked="" type="checkbox"/> Metered EHV & above <input checked="" type="checkbox"/> DG HV/EHV <input type="checkbox"/> Unmetered (LA) <input type="checkbox"/> Unmetered PFI <input type="checkbox"/> Unmetered (Other) <input type="checkbox"/>	SEPD <input checked="" type="checkbox"/> SHEPD <input checked="" type="checkbox"/>		We believe that the level of activity in the DSAs are low in comparison to the rest of the market. This is due to the barriers that existed in the DSAs. As these are now being removed we envisage that competition will start to flourish in all of the RMS's that we are involved in.

Chapter Six

Question	RMS(S)	DSA(S)	Response
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 SSEPD's ability to earn a margin is removed?	Metered HV <input checked="" type="checkbox"/> Metered HV/EHV <input checked="" type="checkbox"/> Metered EHV & above <input checked="" type="checkbox"/> DG HV/EHV <input type="checkbox"/> Unmetered (LA) <input type="checkbox"/> Unmetered PFI <input type="checkbox"/>	SEPD <input checked="" type="checkbox"/> SHEPD <input checked="" type="checkbox"/>	We believe that more competition needs to exist before any restriction on margin can be afforded to SSEPD.

Question	RMS(S)	DSA(S)	Response
	Unmetered (Other) <input type="checkbox"/>		
Two: Do you consider that there is scope for competitors to grow their market share (for example, if SSEPD put up its prices or if its quality dropped), or are there factors constraining this?	Metered HV <input checked="" type="checkbox"/> Metered HV/EHV <input checked="" type="checkbox"/> Metered EHV & above <input checked="" type="checkbox"/> DG HV/EHV <input type="checkbox"/> Unmetered (LA) <input type="checkbox"/> Unmetered PFI <input type="checkbox"/> Unmetered (Other) <input type="checkbox"/>	SEPD <input checked="" type="checkbox"/> SHEPD <input checked="" type="checkbox"/>	As SSEPD continue to improve and remove the barriers to competition then there is scope for competitors to enter the market and gain market share.
Three: Do you consider that there is scope and/or 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	Metered HV <input checked="" type="checkbox"/> Metered HV/EHV <input checked="" type="checkbox"/> Metered EHV & above <input checked="" type="checkbox"/> DG HV/EHV <input type="checkbox"/> Unmetered (LA) <input type="checkbox"/>	SEPD <input checked="" type="checkbox"/> SHEPD <input checked="" type="checkbox"/>	There is an appetite to enter the market and a number of competitors that are interested. Once they have unfettered access to the systems and data to design and quote customers as well as deliver connections then they will be able to offer true competition within these DSAs.

Question	RMS(S)	DSA(S)	Response
this?	Unmetered PFI <input type="checkbox"/> Unmetered (Other) <input type="checkbox"/>		
Four: Given your overall view of SSEPD, do you consider that we can have confidence in them to operate appropriately in the event that price regulation is lifted?	Metered HV <input checked="" type="checkbox"/> Metered HV/EHV <input checked="" type="checkbox"/> Metered EHV & above DG HV/EHV <input type="checkbox"/> Unmetered (LA) <input type="checkbox"/> Unmetered PFI <input type="checkbox"/> Unmetered (Other) <input type="checkbox"/>	SEPD <input checked="" type="checkbox"/> SHEPD <input checked="" type="checkbox"/>	SSEPD will behave appropriately when price regulation is lifted but we do not believe that this will be in the near future due to the lack of market penetration in their DSAs
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 HV <input checked="" type="checkbox"/> Metered HV/EHV <input checked="" type="checkbox"/> Metered EHV & above DG HV/EHV <input type="checkbox"/>	SEPD <input checked="" type="checkbox"/> SHEPD <input checked="" type="checkbox"/>	We believe that we have covered all of the relevant factors that need to be considered.

Question	RMS(S)	DSA(S)	Response
	Unmetered (LA) <input type="checkbox"/> Unmetered PFI <input type="checkbox"/> Unmetered (Other) <input type="checkbox"/>		