

18<sup>th</sup> March 2014

James Veaney  
Head of Distribution Policy Ofgem  
9, Millbank  
London  
SW1P 3GE

**By email**

Dear James

**Re:- Northern Powergrid's Competitions Notices.**

We are writing regarding the Northern Powergrid's (NPG) competition notice consultation published by Ofgem dated 4<sup>th</sup> February 2014.

As an ICP, we are members of the MCCG, and consequently our views have been represented in the formal MCCG response. However we have decided to send to you our individual response, as we feel our views are important.

Having considered the details of the NPG competition notice and your subsequent consultation we confirm that Harlaxton Engineering Services Limited is unwilling to support the lifting of price regulation in any of the NPG distribution service areas for the metered market segments proposed in the consultation. We have not offered a view of the other market segments as we tend not to work in these market segments.

In summary, we recognise that there are large areas within NPG distribution services area where competitors are given a fair chance to compete with NPG. Furthermore, subject to improvements being made in the information technology systems and business processes currently employed by NPG to support Competition in Connections, we could envisage supporting NPG's competition test submission. NPG's senior management have made a commitment to address these issues and we are confident that they will deliver on their promise. However, it is with much regret that we have recently experienced the sort of anti-competitive behaviour by some of NPG's staff that we had hoped was a thing of the past. This is manifested in the approach taken by some NPG auditors towards our works in comparison to the section 16 works. This is particular important when NPG cite the fact that they use the same auditors to review both the works completed by their own staff, and contractors for section 16 schemes, and the works carried out by Harlaxton Engineering Services for competitions in connections schemes. This policy is quoted as a means of ensuring that both parties are treated in the same way. It is apparent that this is not the case. We have conducted a number of schemes where NPG have adopted this unfair practice.

It should be noted that NPG's senior management are well aware of whom the offenders are as numerous complaints have been made against these individuals, however NPG have failed to take action. We feel that NPG have therefore failed to recognise both individual and cultural issues that exist within their organisation. It is clear that no DNO should be allowed to recover unregulated margins when such anti-competitive behaviour is allowed to continue unpunished.

We have also identified further issues that exist within NPG's non contestable charges, this is displayed by quotations being prepared with high proportional costs for works that are simply not transparent or justified. Thus, we firmly believe that such processes are providing both the least cost effective solution and significant higher costs compared to other DNO for comparable works.

Taking the issues into consideration, we would have been far more likely to support their Competition test submission had NPG addressed these issues.

Harlaxton Engineering Services are keen to assist NPG to bring change and look forward to engaging with NPG as part of their ED1 incentive and customer engagement (ICE), however we note that this will not commence until 2015. With this in mind we would encourage Ofgem to put pressure on NPG to ensure these issues are resolved without further delay.

Yours sincerely  
For and on Behalf of  
Harlaxton Engineering Services

Craig Topley  
Operations Director