

March 20th 2014

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

By email

Dear James,

I am writing on behalf of the Power On Connections to set out our group's approach to the UK Power Networks (UKPN) competition notice consultation published by Ofgem dated 6th February 2014.

POC currently operates in all of the UKPN distribution service areas for the alternative HV metered market segment proposed in the consultation. We have not offered a view on the other unmetered market segments as our members tend not to work in these market segments.

Having considered the details of the UKPN competition notice and your subsequent consultation I can confirm that Power On Connections is unwilling to support the lifting of price regulation in the any of the UKPN distribution service areas for the alternative HV metered market segment proposed in the consultation.

We recognise that there are large areas within the UKPN distribution service areas where our opportunity to compete with UKPN has significantly improved in the past year or so. We also acknowledge that the senior management team at UKPN are leading the organisation in the right direction; however in our view we believe that is too early to lift price regulation. The fact remains that UKPN's own in house connections business has a distinct advantage over any of its competitors. UKPN have not been able to demonstrate that this is not the case.

This issue has been further compounded by UKPN's recent decision to insist that ICPs adhere to a new, totally unworkable earthing policy. Rather than properly verifying the practicality of implementing the requirements of their new policy, UKPN appear to have used ICPs as the guinea pigs to trial it instead. This has resulted in ICPs incurring substantial incremental costs and delays in getting their connections energised. It is apparent that UKPN's own connections business has not been using this policy to date, because if they were, these fundamental flaws would have come to light sooner than now. UKPN is alone in the industry in their proposed approach to secondary substation earthing and its application just does not make technical sense. They have introduced a

policy that has a major impact to the costs and time to get a connection with absolutely no consultation with customers or ICPs. This brings into question the benefit of having an approved Connections Charging Methodology statement if a DNO can unilaterally make unjustified changes to their design standards that result in such substantial increases to the cost of the Minimum Scheme. If this earthing policy is correct UKPN must be making massive capital allowances to bring their existing asset base to a safe standard. We would like Ofgem to confirm what if any representation UKPN has made to Ofgem prior to taking such drastic action. It is also worth noting that a number of ICPs and IDNOs have made representation to UKPN to this effect. Instead of taking this feedback on board and suspending the new policy until such time as it is sorted out, UKPN have chosen to ignore customers' concerns and press on regardless of the detrimental impact caused. UKPN's director of asset management has now agreed to meet with us, so I am hoping that this situation can be rescued as it has been a disaster from the outset.

Another major cause for concern amongst is UKPN's insistence that an ICP must approach land owners to seek a Construction License to take advantage of a cable easement that UKPN already holds. If UKPN or their subcontractors were completing this work they could carry on under the terms of their easement, yet because it is an ICP, the ICP needs a Construction License? Surely there must be a simple way for UKPN to grant authority for the ICP to work on its behalf as though it were a sub-contractor. Our members report that this is not an issue in other DNO areas, where the DNO assists the ICP to work under the DNO's easement.

Power On Connections are keen to assist UKPN to bring about change and look forward to engaging with UKPN as part of their ED1 incentive on 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 UKPN to ensure these issues are resolved without further delay. We understand that UKPN are about to embark upon the so called "Project Transform" that we are assured will deliver significant improvements to all customers. As far as we are concerned, this cannot happen quickly enough. We look forward to seeing information technology developments within UKPN that will ensure that its competition in connections competitors will have the same access to technical planning and records data that its own connections business enjoys. Such a development would also bring about the added benefit of addressing the concerns raised by UKPN and other DNOs to both DECC and OFGEM that they waste lots of time and resources providing quotations for works that never go ahead. If ICP's, IDNOs and other accredited customer representatives could access this data, then the market would resolve this problem which would be a far better outcome for all customers rather than re-introducing Assessment and Design fees to cover the costs of inefficient connections requests processes.

Until these changes occur, ICPs and IDNOs will not be able to compete on the same footing as UKPN's own connections business. This means that even if UKPN were to pass the competition test now in any market segment, it would be very easy for their connections business to switch back on the tap to regain market share by taking advantage of the these inherent privileges they currently enjoy over their competitors.

With the above in mind, we look toward Ofgem to meet their assurance that competition in connections will continue to be monitored including those market segments where an unregulated margin has been allowed. Power On Connections would like to see evidence that lifting the regulated margin has had the desired effect to increase and maintain competition in those areas.

Should you have any queries please don't hesitate to contact me

Yours sincerely,



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Standards Manger

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