

Consultation Response and Questions

1.1. We would like to hear the views of interested parties in relation to any of the issues set out in this document.

1.2. We would especially welcome responses to the specific questions which we have set out at the beginning of each chapter heading and which are replicated below.

1.3. Responses should be received by 20 March 2014 and should be sent to:

James Veaney
Smarter Grids and Governance Distribution Policy
020 7901 1861
james.veaney@ofgem.gov.uk

1.4. Unless marked confidential, all responses will be published by placing them in our library and on its website www.ofgem.gov.uk. Respondents may request that their response is kept confidential. We shall respect this request, subject to any obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004.

1.5. Respondents who wish to have their responses remain confidential should clearly mark the document/s to that effect and include the reasons for confidentiality. It would be helpful if responses could be submitted both electronically and in writing. Respondents are asked to put any confidential material in the appendices to their responses.

1.6. Next steps: Having considered the responses to this consultation, we intend to publish our decision in relation to UKPN’s Competition Notice in April 2014.

Each of the questions asked by this consultation is set out in the template below. **Note that an editable version of this response template is available on our website as an associated document to this consultation.** If you do not wish to use our response template, please ensure that you indicate the RMS and DSA to which your experiences relate.

When considering your responses to these questions, please consider your experiences, the actions that UKPN has undertaken and the actions that you consider it could reasonably undertake.

Please check the DSAs that are relevant to you in the table below.

DSA	
Eastern Power Networks plc	<input checked="" type="checkbox"/>
London Power Networks plc	<input checked="" type="checkbox"/>
South Eastern Power Networks plc	<input checked="" type="checkbox"/>

When answering the questions below, please check the RMS(s) and DSA(s) that are relevant to your response.

Chapter Two

Question	RMS(s)	DSA(s)	Response
One: Do you, as a customer or competitor, view these proposed alternatives as distinct segments within the connections market? Are they an appropriate way of segmenting the market for the assessment of effective competition?	Metered HVHV	<input checked="" type="checkbox"/> EPN	No, as a multi-utility consultant we find that the incumbent entities seek to make every aspect more complicated. For example, you could split metered HVHV into further segments to encompass commercial HVHV, industrial HVHV. You could then, for example, split industrial HVHV into different types of industries, ad nauseam. Similarly, if one is to distinguish between unmetered (LA) and unmetered (other), why stop there? Should not for example, ‘unmetered Highways Agency’ be also be designated as an RMS. Our view is that the customer would benefit from the RMS’s simply being unmetered, LV, HV and EHV depending on the end connection.
	Unmetered (LA)	<input checked="" type="checkbox"/> LPN	
	Unmetered (Other)	<input checked="" type="checkbox"/> SPN	

Competition in connections – Consultation on UKPN’s Competition Notice

Question	RMS(s)	DSA(s)	Response
Two: Do you consider that UKPN’s definitions of its proposed alternative segments are clear and unambiguous?	Metered HVHV <input checked="" type="checkbox"/>	EPN <input checked="" type="checkbox"/>	Yes, within the ESI and no from the perspective of the typical customer.
	Unmetered (LA) <input checked="" type="checkbox"/>	LPN <input checked="" type="checkbox"/>	
	Unmetered (Other) <input checked="" type="checkbox"/>	SPN <input checked="" type="checkbox"/>	
Three: Please provide details of any connection activity which would be difficult to categorise under the proposed alternative segments.	Metered HVHV <input checked="" type="checkbox"/>	EPN <input checked="" type="checkbox"/>	Metered HVHV does not distinguish between a steel works, a data centre or a large retail unit.
	Unmetered (LA) <input checked="" type="checkbox"/>	LPN <input checked="" type="checkbox"/>	
	Unmetered (Other) <input checked="" type="checkbox"/>	SPN <input checked="" type="checkbox"/>	Unmetered (LA) and Unmetered (Other) do not distinguish between various types of public authorities and private entities.
Four: Are there other factors that we should take into account in deciding whether to accept or reject UKPN’s proposed definitions of the alternative market segments?	Metered HVHV <input checked="" type="checkbox"/>	EPN <input checked="" type="checkbox"/>	Yes, we doubt very much that the customer for whose benefit this entire process is being carried out would typically recognise the distinctions. Our view is that they should be simplified.
	Unmetered (LA) <input checked="" type="checkbox"/>	LPN <input checked="" type="checkbox"/>	
	Unmetered (Other) <input checked="" type="checkbox"/>	SPN <input checked="" type="checkbox"/>	

Chapter Three

Question	RMS(s)	DSA(s)	Response
One: Are customers aware that competitive alternatives exist?	Metered HVHV <input checked="" type="checkbox"/>	EPN <input checked="" type="checkbox"/>	Yes, some. Most suspect that there is significant risk cost wise, delivery times and in terms of the affect on future co-operation in going down the route of CiC. Many find the process so painful due to bureaucracy at the UKPN end that they revert to the S16 route as the lesser of two evils.
	Unmetered (LA) <input type="checkbox"/>	LPN <input checked="" type="checkbox"/>	
	Unmetered (Other) <input type="checkbox"/>	SPN <input checked="" type="checkbox"/>	
Two: Do customers have effective choice, ie are they	Metered HVHV <input checked="" type="checkbox"/>	EPN <input checked="" type="checkbox"/>	Customers may seek quotations from competitive alternatives but our experience is that UKPN will often

Competition in connections – Consultation on UKPN’s Competition Notice

Question	RMS(s)	DSA(s)	Response
easily able to seek quotations from competitive alternatives?	Unmetered (LA) <input type="checkbox"/>	LPN <input checked="" type="checkbox"/>	make contact with that customer if a S16 application is followed by an SLC 15 application. Our experience is that on occasion the S16 Offer has been less than the SLC 15 Offer making competition impossible.
	Unmetered (Other) <input type="checkbox"/>	SPN <input checked="" type="checkbox"/>	
Three: Does UKPN take appropriate measures to ensure that customers are aware of competitive alternatives?	Metered HVHV <input checked="" type="checkbox"/>	EPN <input checked="" type="checkbox"/>	This has improved enormously over the past 3 years so the answer is yes.
	Unmetered (LA) <input type="checkbox"/>	LPN <input checked="" type="checkbox"/>	
	Unmetered (Other) <input type="checkbox"/>	SPN <input checked="" type="checkbox"/>	
Four: Are quotations provided by UKPN clear and transparent? Do they enable customers to make informed decisions whether to accept or reject a quote?	Metered HVHV <input checked="" type="checkbox"/>	EPN <input checked="" type="checkbox"/>	No. Again this has improved greatly but we have still been seeing items of tens of thousands of pounds categorised as other.
	Unmetered (LA) <input type="checkbox"/>	LPN <input checked="" type="checkbox"/>	
	Unmetered (Other) <input type="checkbox"/>	SPN <input checked="" type="checkbox"/>	
Five: Have customers benefitted from competition? Have they seen improvements in UKPN’s price or service quality or have they been able to source a superior service or better price from UKPN’s competitors?	Metered HVHV <input checked="" type="checkbox"/>	EPN <input checked="" type="checkbox"/>	Yes but there is a distinct sense that customers are being made to feel that in the future they will get better co-operation by dealing exclusively with UKPN.
	Unmetered (LA) <input type="checkbox"/>	LPN <input checked="" type="checkbox"/>	
	Unmetered (Other) <input type="checkbox"/>	SPN <input checked="" type="checkbox"/>	

Chapter Four

Question	RMS(S)	DSA(S)	Response
<p>One: Does the level of competitive activity in the market segments show that there is the potential for further competition to develop?</p>	<p>Metered HVHV <input checked="" type="checkbox"/></p> <p>Unmetered (LA) <input type="checkbox"/></p> <p>Unmetered (Other) <input type="checkbox"/></p>	<p>EPN <input checked="" type="checkbox"/></p> <p>LPN <input checked="" type="checkbox"/></p> <p>SPN <input checked="" type="checkbox"/></p>	<p>There is a desperate need for competitive activity to increase. Without regulation it will simply die within these DSAs.</p>
<p>Two: Consider the organisational structure of UKPN’s business and its 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 UKPN? Or do they offer UKPN any inherent advantage over its competitors or prevent existing competitors from competing with</p>	<p>Metered HVHV <input checked="" type="checkbox"/></p> <p>Unmetered (LA) <input type="checkbox"/></p> <p>Unmetered (Other) <input type="checkbox"/></p>	<p>EPN <input checked="" type="checkbox"/></p> <p>LPN <input checked="" type="checkbox"/></p> <p>SPN <input checked="" type="checkbox"/></p>	<p>a) TUSC projects currently encompass SP Manweb, Northern Power Grid, SSE, WPD and UKPN. If we were to rate WPD at 10, UKPN would be at 5. They certainly do not reflect best practice but it must be emphasised that they have improved greatly during the last 3 years.</p> <p>b) Our experience is that the UKPN element is often the biggest risk. Where they have demonstrated flexibility but have made mistakes their response has been to advise us that in future they will not be flexible.</p> <p>c) At the highest level UKPN seems to us committed to assisting new connection providers entering the market. At the ‘coal face’ there seem to be perennial mistakes and over sights in addition to the inevitable phone call made to our client once it is discovered that they intend to avail themselves of competition.</p>

Competition in connections – Consultation on UKPN’s Competition Notice

Question	RMS(S)		DSA(S)		Response	
<p>them effectively?</p> <p>(c) do they assist, obstruct or delay connections providers entering the market segment?</p>						
<p>Three: Are the non-contestable charges levied by UKPN 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 POC quote and the non-contestable elements of a full works quote act as a barrier to competition?</p>	Metered HVHV <input checked="" type="checkbox"/>	EPN <input checked="" type="checkbox"/>	Unmetered (LA) <input type="checkbox"/>	LPN <input checked="" type="checkbox"/>	<p>Not always. We and an ICP lost a considerable amount of money due to a UKPN mistake which led to us having to advise the customer not to avail itself of competition as the S16 Offer was below cost.</p>	
	Unmetered (Other) <input type="checkbox"/>	SPN <input checked="" type="checkbox"/>	<p>Four: What factors are key influences on development of competition in the market segments? In particular, if you are an existing/potential competitor:</p>	Metered HVHV <input checked="" type="checkbox"/>		EPN <input checked="" type="checkbox"/>
<p>(a) what is the potential for competitors to enter the market segments, or grow their share of the market segments if they already operate in?</p>	Unmetered (LA) <input type="checkbox"/>	LPN <input checked="" type="checkbox"/>	<p>(b) are there any types</p>	Unmetered (Other) <input type="checkbox"/>		SPN <input checked="" type="checkbox"/>

Question	RMS(S)	DSA(S)	Response
<p>of connection in the market segments, or geographic locations in UKPN’s DSAs, that by their nature, are not attractive to competition? Please explain why in your response.</p>			<p>and some trepidation when it comes to utilizing competition. Our strong feeling is that LPN needs to be broken up and perhaps split between UKPN and suitable IDNOs. Since it was acceptable for the Olympic project to be separated off from the host UKPN then this serves as a successful precedent for this idea. We are aware that in addition to UK Power Networks (IDNO) Ltd, which could be sold off to a non UKPN company, GTC and SEPD have embedded networks in London. Splitting off the remaining network between these and any other ‘qualifying’ IDNO would in our opinion completely change the monopolistic culture and drastically improve competition.</p> <p>In the SPN area, as consultants, we are starting to feel that our and therefore UKPN’s customers could be better off not availing themselves of competition. For example, when asked to provide a price for a route feasibility study our client was recently told that this would only be possible if the subsequent connection was made via a S16 Offer. No doubt this is another mistake.</p>

Chapter Five

Question	RMS(S)	DSA(S)	Response
<p>One: Do you agree with the methods used by UKPN to assess the level of competition in the market segments covered by its application? In particular, do you consider that the data provided gives a clear indication of the current level of competitive activity in each segment?</p>	<p>Metered HVHV <input checked="" type="checkbox"/></p> <p>Unmetered (LA) <input type="checkbox"/></p> <p>Unmetered (Other) <input type="checkbox"/></p>	<p>EPN <input checked="" type="checkbox"/></p> <p>LPN <input checked="" type="checkbox"/></p> <p>SPN <input checked="" type="checkbox"/></p>	<p>We are not sure what these methods are. They certainly seem different to WPD and when asked a direct question recently, UKPN informed us that the method was based on capacity connected by ICPs.</p>
<p>Two: Do you consider that competitive activity is at a level that in itself indicates that effective competition exists? In each market segment, do you consider that the coverage of existing competitive activity extends across segment?</p>	<p>Metered HVHV <input checked="" type="checkbox"/></p> <p>Unmetered (LA) <input type="checkbox"/></p> <p>Unmetered (Other) <input type="checkbox"/></p>	<p>EPN <input checked="" type="checkbox"/></p> <p>LPN <input checked="" type="checkbox"/></p> <p>SPN <input checked="" type="checkbox"/></p>	<p>No.</p>

Chapter Seven

Question	RMS(S)	DSA(S)	Response
<p>One: Do you, as a customer or competitor, view these proposed alternatives as distinct segments within the connections market? Are they an appropriate way of</p>	<p>Metered HVHV <input checked="" type="checkbox"/></p> <p>Unmetered (LA) <input type="checkbox"/></p> <p>Unmetered (Other) <input type="checkbox"/></p>	<p>EPN <input checked="" type="checkbox"/></p> <p>LPN <input checked="" type="checkbox"/></p> <p>SPN <input checked="" type="checkbox"/></p>	<p>No.</p>

Competition in connections – Consultation on UKPN’s Competition Notice

Question	RMS(S)	DSA(S)	Response
segmenting the market for the assessment of effective competition?			
Two: 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 UKPN’s ability to earn a margin is removed?	Metered HVHV <input checked="" type="checkbox"/> Unmetered (LA) <input type="checkbox"/> Unmetered (Other) <input type="checkbox"/>	EPN <input checked="" type="checkbox"/> LPN <input checked="" type="checkbox"/> SPN <input checked="" type="checkbox"/>	No. What will happen is that, particularly in LPN, it will revert to being a monopoly and the customer will do as it is told.
Three: Do you consider that there is scope for competitors to grow their market share, (for example if UKPN put up its prices or if its quality dropped) or are there factors constraining this?	Metered HVHV <input checked="" type="checkbox"/> Unmetered (LA) <input type="checkbox"/> Unmetered (Other) <input type="checkbox"/>	EPN <input checked="" type="checkbox"/> LPN <input checked="" type="checkbox"/> SPN <input checked="" type="checkbox"/>	Our view is that tighter regulation is required in SPN and LPN needs to be broken up to achieve proper competition.
Four: 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 this?	Metered HVHV <input checked="" type="checkbox"/> Unmetered (LA) <input type="checkbox"/> Unmetered (Other) <input type="checkbox"/>	EPN <input checked="" type="checkbox"/> LPN <input checked="" type="checkbox"/> SPN <input checked="" type="checkbox"/>	More incentives need to be given for new IDNOs to be brought into the market. Notwithstanding our comments regarding LPN, the ideal situation would be for WPD to be incentivised to become an IDNO.

Competition in connections – Consultation on UKPN’s Competition Notice

Question	RMS(S)	DSA(S)	Response
Five: Given your overall view of UKPN, do you consider that we can have confidence in them to operate appropriately in the event that price regulation is lifted?	Metered HVHV <input checked="" type="checkbox"/> Unmetered (LA) <input type="checkbox"/> Unmetered (Other) <input type="checkbox"/>	EPN <input checked="" type="checkbox"/> LPN <input checked="" type="checkbox"/> SPN <input checked="" type="checkbox"/>	No.
Six: 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 HVHV <input checked="" type="checkbox"/> Unmetered (LA) <input type="checkbox"/> Unmetered (Other) <input type="checkbox"/>	EPN <input checked="" type="checkbox"/> LPN <input checked="" type="checkbox"/> SPN <input checked="" type="checkbox"/>	We stand by our earlier comments.

