

Energy UK  
Charles House  
5-11 Regent Street  
London, SW1Y 4LR

2 November 2017

Dear Paul,

**RE: Energy UK response to BEIS Assessment and Design Fees Consultation**

***Submitted via email***

Energy UK appreciates the opportunity to respond to this consultation. Energy UK is the trade association for the GB energy industry with a membership of over 90 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership encompasses the truly diverse nature of the UK's energy industry from established FTSE 100 companies' right through to new, growing suppliers and generators, which now make up over half of our membership.

Our members turn renewable energy sources as well as nuclear, gas and coal into electricity for over 26 million homes and every business in Britain. Over 619,000 people in every corner of the country rely on the sector for their jobs with many of our members providing lifelong employment as well as quality apprenticeships and training for those starting their careers. The energy industry adds £83bn to the British economy, equivalent to 5% of GDP, and pays over £6bn in tax annually to HMT.

**Energy UK Key points**

Energy UK strongly supports BEIS's decision to re-introduce upfront A&D fees. Energy UK believes that the absence of upfront A&D fees has contributed to the increase of connection applications and of offers not accepted.

We believe that SLC 12 needs to be amended in order for the upfront A&D fees to be effective and would like this done soon, so that upfront A&D fees can be rolled out across DNOs as soon as possible and at the same time. Failing to see SLC 12 change at the same time (or very soon after) risks undermining the benefit of these A&D fees, as DNOs will be obliged to make offers whether or not customers make any payment.

Energy UK believes that fees need to be applied at the same time, and as soon as possible. Ideally, fees should be standardized across DNOs.

Energy UK intends to write to Ofgem to ensure that process around implementation of A&D fees is transparent and clear in the charging methodology.

If you have any questions about the response, please do not hesitate to get in touch.

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# Energy UK response to BEIS Assessment and Design Fees Consultation

**Question 1.** Do you have any comments on our rationale for, and drafting of, the Statutory Instrument to ensure that connection offer activities are properly captured and that there is sufficient legal clarity that DNOs can only charge for reasonably incurred connection expenses?

We support the comments on BEIS's rationale. We believe that the approach that has been taken is appropriate. The approach taken allows for a degree of flexibility which we ultimately believe is appropriate. We would expect BEIS and Ofgem to be supportive of changes to the regulations and methodologies when changes are made to include upfront A&D fees. Energy UK believes that it is important to be transparent with costs incurred. It is also important to explain why costs are predicted to change.

Energy UK is concerned that this does not mandate A&D fees and therefore there is a small risk that a DNO would not apply them, we realise that this is unlikely. Energy UK members do not want to see the cost of any defaulted customers smeared across other market participants, and therefore the implementation and enforcement of A&D fees is important for its success.

**Question 2.** Do you agree with our approach to not make specific provision for exemptions in the Statutory Instrument?

Energy UK believes that the approach taken in the consultation by BEIS is the right one. To allow for flexibility and for each DNO to assess whether it is cost-effective to the consumer to issue A&D fees to connections. Energy UK agrees that there are safe guards; Ofgem should have oversight of the DNO assessments and check the reasonability of them, in addition, the Charging methodology process should allow any inconsistencies and/or unreasonable behaviour from DNOs to be checked.

**Question 3.** Do you agree with our approach to not make specific provision for standard fees in the Statutory Instrument? Do you agree that the existing legal and regulatory provisions safeguard against over recovery by DNOs of A&D costs? Do you have any concerns and, if so, how could they be met in the drafting of Regulation 2?

Energy UK agrees with BEIS's approach not to make specific provisions in the statutory instrument in order to maintain some flexibility.

The amounts should be reasonable and be upfront in the methodology as with other costs of this manor. Ofgem should be checking the reasonability of the costs, and the DNOs should only be charging for costs incurred. There are also opportunities under the Incentives for Connections Engagement (ICE) to allow for critiques of the costs of the A&D fees. It is the responsibility of industry and Ofgem to hold DNOs to account for this.

Energy UK members would support a standard fee across DNOs but understand that there may be 'competition' issues around this.

**Question 4.** Do you agree with our assessment of the timing of charging A&D fees? What are your views of changing SLC 12 of the electricity distribution licence to allow DNOs to require payment of A&D fees as a precondition for providing connection offer?

Energy UK believes that Ofgem should change the SLC 12 as soon as is practically possible, so that this does not prevent A&D fees from being effective. The licence condition setting a backstop number of days to produce a connection offer should be amended to target whichever is *later* between receipt of A&D fee payment *or* the same number of days. It is important that the Statutory Instrument and the updated SLC 12 are both in effect by the time the DNOs begin to charge A&D fees, and this should as soon after 1 April 2018 as practicable. Failing to see SLC 12 change at the same time (or very soon

after) risks undermining the benefit of these A&D fees, as DNOs will be obliged to make offers whether or not customers make any payment.

All DNOs should begin to charge their fees from the same effective date, to avoid confusion, and ensure predictability, a sensible transition and co-ordination across DNOs.

Energy UK supports the flexibility that is being allowed for the timing of A&D fees. It is important that this is set out in the charging methodology so that it is clear for market participants.

**Question 5.** Do you agree that Regulation 2 provides helpful clarity on notifying customers of the A&D fee? Are there any further aspects relating to DNOs providing information that you would like to see included in this regulation? Do you have any views on whether the Statutory Instrument should include provisions on the timing of DNO payment notification? Do you agree that the Statutory Instrument does not need to specifically cover expenses incurred when connection applications are withdrawn?

It is important that we ensure fees are transparent and predictable for industry. Ensuring that it is clearly set out in the methodology and that fees are highlighted to customers at the outset of the application process. DNOs should also ensure that this cost is clear on websites. Therefore Energy UK agrees that DNOs should not be able to levy upfront A&D fees unless they have notified customers of the charge and may not recover expenses incurred.

**Question 6.** Do you agree that customers should be notified of their right to appeal against the A&D fees charged in relation to their connection offer? Do you agree that it is right to include these provisions in the Statutory Instrument?

Energy UK supports that some sort of recourse for parties should be outlined in the connection application and again on the invoice for A&D fees.

**Question 7.** Do you agree with our approach to reviewing the implementation of upfront A&D fees in the Statutory Instrument?

SLC 12 should be amended as soon as practicably possible. The A&D fees should be implemented at the same time (April 2018) across all DNOs in a synchronised way. Notice of the fees should be in the confirmed charging methodology statement.

**Question 8.** Do you agree with our initial assessment of economic impacts and the assumptions used? Do you have any other evidence which should be taken into account?

The economic impact assessment references that the number of unaccepted offers has increased significantly over the period 2010/11 to 2015/16, however, Energy UK understands through our membership of the Distribution Energy Resources Connections Group, that the figure for 2016/2017 is even greater. Considering this Energy UK believes that this issue is still live and we support timely and joined up implementation across the Distribution Network Operators (DNOs).

**Question 9.** Are there any other comments you wish to make that may have a bearing on our considerations?

Given the introduction of the EU Network Codes, and in particular those related to connections (RfG, DCC and HVDC), we assume you have fully satisfied yourself that this proposed amendment (in terms of the Assessment and Design fees) to the connection arrangements for GB are fully compatible with (i) "Directive 2009/72/EC common rules for the internal market in electricity ..." (ii); "Regulation 714/2009 on conditions for access to the network for cross-border exchanges in electricity ..." and (ii) the EU Network Codes for connection (RfG, DCC and HVDC). Furthermore we assume that you are fully satisfied that this proposed change to the Assessment and Design fees will not affect cross border trade.