

**Aquila**

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Peter Dickinson
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Dear Mr Dickinson

Consultation – Governance of Electrical Standards

We welcome the opportunity to respond to Ofgem's consultation on electrical standards. We note that in its summary Ofgem states that the existing documents have 'been shown to be robust over a number of years and have served the industry well'. The concerns which Ofgem has received appear to be relatively minor compared to the overall effectiveness of the existing process and we remain firmly of the view that minor modifications to them rather than wholesale changes are more appropriate. We find it very concerning that this option is not even mentioned in the consultation; in particular if any other options are to be objectively considered they must be compared to a 'base/business as usual case'.

We believe that a wholesale change to the governance of electrical standards is likely to create problems and issues orders of magnitude greater than those Ofgem is seeking to resolve. Below are our comments on the consultation and how we believe Ofgem's concerns can be met in a more simple and cost effective manner.

Comparison with CUSC/BSC

Ofgem indicates that the governance of CUSC and BSC is appropriate and does not require modification. We consider that the governance structures for these codes have not been established long enough to draw that conclusion. Indeed we have considerable reservations that the objectives of these documents may be drawn too narrowly and in such a manner that results in modifications being made (or not made) which whilst meeting BSC/CUSC requirements do not act in the overall interests of the industry and hence consumer. These issues, however, are for another consultation.

Involvement of Relevant Parties

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Ofgem indicates that most of the issues concerning the present arrangements have arisen from the work on distributed generation. We note, however, that the groups working to revise the relevant documents have actively encouraged the involvement of generator representatives and not as the consultation implies excluded anyone who is not a member of the EA. We believe that involvement of the relevant parties within the existing governance structures will achieve Ofgem's objectives in a more cost-effective manner than any of Ofgem's alternative proposals.

Speed of Process

Ofgem suggests that the current process is too slow. No comparison is made, however, with alternative models. We consider that for a process to be effective sufficient time is needed for all parties to have been able to review the proposals fully. When compared to other technical review processes the existing one is not slow. It would be erroneous to compare the time it takes to revise a technical standard to the time it takes to revise a 'trading' or commercial standard in either the BSC or CUSC. If it transpires that technical standards are deficient, then the legacy may last the lifetime of the system that has been built e.g. 40 years plus, whereas a deficiency in a trading or commercial standard can be corrected in the time it takes to re-consult.

Governance Process

Ofgem indicates six factors of a successful governance process. We support these, but believe that two important ones are omitted. Firstly as well as being transparent a process should also have clarity. It is often easy in a process that is only 'transparent' to lose key issues in the volume of documents published. Secondly the governance should be capable of delivering standards which are robust and serve the industry well. Based only on Ofgem's six points a robust process could be established, but without any comfort that the results would be robust.

Statutory Obligations

We are mindful that technical standards play a large part in allowing us to comply with our statutory obligations, in particular relating to safety. Any change in governance that removes our ability to properly manage our statutory obligations in this area would not be acceptable.

Question 1: *Is it appropriate to restrict the scope of the review to the governance of D-Code technical standards or should it include governance of G-Code technical standards?*

We consider that the review should only cover those standards about which there are concerns. There is a danger that the all-encompassing proposal will apply the process to documents that are not in need of review and will inherently cause further issues. We believe that the vast majority of standards are effectively managed by the existing processes.

Questions 2 & 3: *Would it be helpful to establish technical standards groups under the G and D-Code review panels? How would the enhanced G and D-Code review*

panels be funded?

We consider that it would not be cost effective or lead to an efficient process to add extra layers of bureaucracy in this manner. To the contrary we believe it will add cost and reduce the effectiveness.

Questions 4 & 5: *Is it appropriate to modify the role of the D and G code review panels to cover commercial, regulatory and administrative matters? How should these panels be funded?*

We strongly believe it is wholly inappropriate to include commercial and regulatory matters within the D-Code. To consider any commercial matters, other than generic trading structures, corporately would infringe the freedom of a private company to exercise control over its financial matters. In the case of CUSC there is only one network operator, National Grid, and they retain the ability to manage their own commercial matters. With distributors where there are 14 licence holders it would not be appropriate to remove their ability to manage their own commercial interests. With regard to regulation, Ofgem is the appropriate governing body and already has a well established consultation process.

Questions 6 & 7: *Is it appropriate that drafting of electrical standards be performed by a new body with a remit to act for the benefit of the principal stakeholders? How should such a body be funded?*

We consider that such an option would increase the bureaucracy and costs without any guarantee of delivering benefit.

Question 8: *Should Elexon oversee governance of the D and G -Codes and referenced electrical standards?*

Again we consider that such an option would increase the bureaucracy and costs without any guarantee of delivering benefit. We note that whilst Elexon has expertise in delivering 'trading' solutions, it has no track record of delivering enduring technical standards.

Question 9: *Should the governance of electrical standards by an alternative UK or international standards organisation be pursued?*

Again we consider that such an option would increase the bureaucracy and costs without any guarantee of delivering benefit.

Questions 10 & 11: *Should the DTI set up a new standards body? How should a DTI standards body be structured and funded?*

Again we consider that such an option would increase the bureaucracy and costs without any guarantee of delivering benefit. We do not believe the DTI are in any event appropriate. The time scale and consultation process for the proposed Electricity Safety, Quality and Continuity Regulations remain a testimony to the ability of DTI to control such a process.

Question 12: *Should all draft documents be published on a publicly accessible*

internet site, and should the site have the facility for readers to provide comments using the internet?

Any process should be transparent, clear, accessible and efficient in administration. Where the internet can aid this end, we support it. We note that use of the internet can be very effective, but it can also be very ineffective. It is not simply a case of endorsing any one medium, but how that medium is used and managed. An effective process will use many mediums to ensure transparency and clarity.

Question 13: *Are there more appropriate governance arrangements not discussed above and that should be considered?*

Yes, do nothing or simply make minor, but effective, modifications to the existing process. It is a great omission of this consultation that these options are not even mentioned.

Question 14: *Should drafting committees for standards falling under the panels be open public meetings? If so how is this best achieved?*

It is sensible to recognise the process successfully adopted by international standards bodies which has been developed over many years. The process is to take a proposal, establish a working group consisting of interested stakeholders and develop the proposal into a draft standard that is then circulated for comment. Comments are then reviewed and the draft is updated and circulated again, this process continues until a consensus document has been developed after which is circulated for approval and then published. In our view drafting is most effectively performed by small working groups. It is at the comments stage that any interested party should have the option to be involved. Public meetings do have their place, but do not generally lead to an efficient process. If this were to be the case a method of arbitration would need to be determined at the outset.

Question 15: *Is it necessary for drafting committees to have fully independent chairpersons? If so who might such people be?*

We see no need for chairpersons to be independent. We note that in the BSC elected parties are obliged to act in the interests of the BSC. We believe that a similar obligation over behaviour is more important than actual independence. On technical issues it may prove difficult to find an independent person with sufficient knowledge to effectively chair the group.

Question 16: *How best can third parties, particularly small players, take part in development of industry standards and how should this be funded?*

For small players there may be significant issues over the ability to release resource for any governance process. This may be overcome by use of appropriate trade associations.

Question 18: *Overall which option do you regard as the preferred way forward?*

We do not support any of the options outlined in the consultation. We believe that for the majority of standard and Engineering Recommendations, no changes are

needed. For those where there are genuine issues, minor modifications to encourage involvement by smaller players should be pursued.

If you have any further queries, or seek clarification on any points, please feel free to contact me.

Yours sincerely

Andy Phelps
Regulation Director