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**From the Chairman of the Distribution
Code Review Panel of Great Britain**

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17 June, 2002

Dear John

Ofgem's Consultation on Governance of Electrical Standards

This response to your recent consultation paper is made on behalf of the GB Distribution Code Review Panel (DCRP); ie I wanted to be sure that your attention was drawn to the fact that the letter is written with the agreement of all DCRP members, and as always in my DCRP correspondence with you, is on UU notepaper for administrative convenience.

The DCRP is pleased to be able to comment on your consultation. In reacting to your consultation we firstly would like to make an observation raised by Option 2 of your paper, and then go on to suggest some changes to the present régime, ie these are changes suggested by the DCRP to the present régime, rather than the endorsement of any of the options in your consultation paper.

The DCRP notes Ofgem's comments on the holistic treatment of regulatory and commercial issues. The DCRP also notes that there is a void for the governance and resolution of these issues other than by the current route of ultimate determination by the Authority. It is not clear to the DCRP that under the present regulatory arrangements a single body can be given sufficient powers to impose negotiated or agreed commercial terms on all industry participants, other than to provide suggested standard terms.

The DCRP is of the view that the technical standards should be developed to deliver the most cost-effective technical solutions. The commercial issues arising from standards, in the light of the preceding paragraph, are best dealt with under determinable bilateral agreements, which would be based on standard forms of agreement.

Possibilities

The following are suggested changes to the existing DCRP processes to address the legitimate concerns of Ofgem's consultation.



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Recognition of interface standards in Constitution

The DCRP Constitution should be amended to state explicitly the rôle of the Panel in reviewing existing Annex 1 standards and for calling for new standards. This will also need to reflect that the remit of the Panel is those standards that affect the interface between all users of the network and the DNO. The models for CUSC and the BSC could prove useful and similar process for the raising and progression of changes proposals could be adopted. Similar checks and balances to those formalized in CUSC and BSC on the viability of proposed amendments could be appropriate.

Review Panel Membership

The DCRP is properly concerned about issues of both visibility and inclusiveness, and has recently consulted explicitly on these points as part of the move to a GB DCRP. The history of representing small players, particularly smaller generators (principally through their trade associations), is believed to have generally worked well. However the DCRP accepts that in a light of the Ofgem concerns, and the other suggestions for transparency, it is appropriate to review the representation of industry and trade participants to ensure it properly reflects the activities in the market.

Formalization of consultation routes

The DCRP believes that it can deal with consultation issues with appropriate efficiency, addressing the principles of 3.8 of the Ofgem consultation. However the DCRP also believes it is necessary to formalize its consultation mechanisms, including a large rôle for e-mail and the internet.

As part of this formalization it is appropriate to note that the current arrangement is wholly funded by DNOs. All DCRP members are keen to see modified arrangements that include appropriate formal checks and balances to preclude the proliferation of non-economic or capricious amendments or work requests.

Formal agreement with EA as technical provider and secretariat

There are practical benefits in terms of continuity and expertise (particularly with international standards) in retaining the services of the EA for document processing, technical advice, and secretariat. However if this link is to be maintained there would need to be a formal understanding between the DCRP and the EA on the provision of these services. DCRP members thought it would be useful to show how this would modify the present arrangements, and this is shown in a stylized form in Appendix 1. This arrangement is not expected to be exclusive: there is an existing history of appropriate expert resources being used to assist the Panel in deliberations and developments.

Annual Reports

As an aid to transparency the DCRP could publish an annual report on its activities.

As I stated at the beginning of this letter, all current DCRP members have agreed with the content of this letter and are happy for it to be submitted by me on their behalf. We hope that our suggestions largely meet Ofgem's expectations for how the issues behind the consultation

can be addressed, and the DCRP looks forward to developing with Ofgem any necessary changes arising from this process.

Yours sincerely

Mike Kay
Electricity Regulatory Affairs Manager
Chairman of the Distribution Code Review Panel of Great Britain

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Appendix 1 – Stylized Representation of DCRP Suggestions for Future Governance of Electrical Standards

