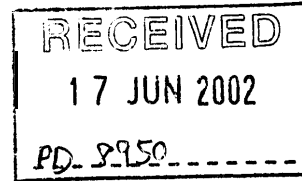


Our ref :  
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Peter Dickinson  
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12 June 2002

**Governance of Electrical Standards – Consultation Document April 2002**

Dear Peter

East Midlands Electricity welcomes the opportunity to respond to the “Governance of Electrical Standards Consultation Document – April 2002”. This letter contains our general comments with an attachment containing our specific responses to the questions posed.

As indicated in our response to John’s letter of 18 February 2002 we are supportive of the rationale for a review of the technical standards governance framework specifically with respect to distributed generation. However we strongly believe that in order to facilitate the development of distributed generation, there is an urgent need to change the way in which distribution networks are financed. In addition it will also be appropriate to retain the incentives inherent in the price control frameworks so that the privatised industry can continue to be innovative in the delivery of solutions.

The attachment details our views with respect to the governance framework options outlined in the paper. In our response to John we considered that the establishment of a single authority under the auspices of the DTI needed to be considered in any review of the arrangements for governance. This option has appeal in that it would ensure consistency between legislative and technical standards. It would also provide the degree of independence sought. However, we believe on balance that the enhancement of the Distribution Code Review Panel for technical matters only is the most beneficial option in terms of a cost vs degree of transparency trade-off. We also believe, that in order to safeguard the best practices inherent in the existing framework and to provide access to the relevant electrical distribution engineering expertise, a **formalised** relationship between the DCRP and the EA is a paramount enhancement to the proposed option. In addition, all significant players should be individually represented on the enhanced body and, for a workable arrangement, this may necessitate the need to provide for the establishment of sub-groups in any revised constitution for the DCRP.

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If you require any further assistance or clarification of the points raised in this letter or its attachment please contact either myself or Steven Waller

Yours sincerely

A handwritten signature in black ink, appearing to read 'Paul Eveleigh', written in a cursive style.

Paul Eveleigh  
Commercial and Regulation Manager

**East Midlands Electricity Distribution plc**

**Detailed response to:**

**“Governance of Electrical Standards - Consultation Document April 2002”**

The consultation paper seeks to establish a new governance balance for technical standards, which at a high level ranges from full self-regulation by the industry at one extreme to total “governmental” regulation at the other. The need for a new balance is driven primarily by the need to facilitate the development of the envisaged widespread connection of distributed embedded generation. However, any balance, either existing or future, will always involve overall “societal” goals being traded against industry “sectoral” goals in order that benefit may be taken from industry experience and the consequent lower costs associated with a self-regulation framework. We believe therefore that the final judgement between the options needs to be based on a “trade-off” between cost and degree of governance.

Additionally, the review needs to ensure that the degree of regulation chosen complements the broader perspective that under-pins the framework of the privatised distribution industry. Ultimately, it is distribution companies that carry the risk associated with connections to their network; it is their “large-scale” engineering asset that is delivering electrical energy to customers in the public domain. Therefore, their full involvement in the standards is paramount and must be safeguarded in any new governance procedure.

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

It may appear appropriate to include the governance of the Grid Code technical standards in this review for consistency in approach. However the current arrangements for the Grid Code are deemed to be working satisfactorily. It would, therefore, be advisable to focus attention in the review to those areas that are actually causing concern i.e. Distribution Code technical standards and how they impact on distributed embedded generation. It is, then, our view that the review should be restricted to the governance of the Distribution Code technical standards only. Our responses to the further questions reflect this view.

**Question 2: Would it be helpful to establish Technical Standards Groups under the Grid and Distribution Code Review Panels?**

Option 1: An enhanced Distribution Code review panel has merit. It would ensure a focus on those technical issues that are required to be achieved in order to connect to the network, rather than pertaining to standards that DNOs may wish to use as part of their obligations to final customers. An advantage of the proposed revised arrangement is that the DTI and HSE can also be involved in the formalised procedure. Whether or not a Technical Standards Group is required to provide the necessary focus is debatable as the proposed TSG appears to have a similar role to that of the present DCRP. Also for this option to be workable, for the reasons outlined in the introduction the enhanced arrangement would have to be representative of all industry players. It would therefore be a prerequisite to the acceptability of this arrangement that the DNOs each have individual representation on the DCRP (or TSG).

As the consultation paper acknowledges for non-contentious issues, there would be many practical and cost benefits in retaining the services of the EA and its sub-committees for all document processing, technical advice and secretariat support associated with the enhanced role

of the DCRP. It would be for the management control process set up by the DCRP, in its new representative role, to ensure that all issues are dealt with in an open manner.

Apart from improving the transparency, it is still difficult to see how such a body would represent the smaller players any differently to that of the present arrangements unless the players do group together under some form of trade-umbrella. Maybe this is an area where the DTI could assist?

Finally, the revised framework needs to safeguard a degree of flexibility so that companies' ability to innovate is not overtly restricted.

**Question 3: How should the enhanced Grid and Distribution Code review Panels be funded?**

As a general principle all those participants who benefit from the arrangements should fund the administration of the governance framework. As outlined in the consultation paper it is a prerequisite that any governance body should be adequately funded.

**Question 4: Is it appropriate to modify the role of the Distribution and Grid Code review panels to cover commercial, regulatory and administrative matters?**

The holistic treatment of commercial, regulatory and technical issues is unlikely to be workable at a practical level. Even with enhanced representation on the DCRP it is difficult to envisage how the constituents will be able to reach a consensus in a way that is binding on all companies represented at the DCRP. The wider role works in the context of the BSC and CUSC where there is only one single company affected by the majority of the commercial issues. With many different commercial approaches inherently arising from the structure of the electricity distribution industry, it is highly unlikely the panel would be able to bind all companies. In fact this approach could easily run the risk of "encouraging" the individual DNOs to "set-up" their own Distribution Codes and governance procedures which would total negate the purpose of the review. As the existing arrangements are seen to serve the industry well with respect to commercial, regulatory and administrative matters we therefore do not consider it appropriate to expand the remit of the DCRP.

**Question 5: How should these panels be funded?**

Not relevant ▪ see our response to question 4

**Question 6: 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?**

Option 3 ▪ New industry standards body.

Given the existence of the DCRP this would seem to add further complexity to the governance procedures for what little extra benefit may arise from the apparent independence inherent in the "new" body. It would also introduce extra costs into the overall process.

**Question 7: How should such a body be funded?**

Not relevant ▪ see our response to question 6

**Question 8: Should Elexon oversee governance of the Distribution and Grid Codes and referenced electrical standards?**

Option 4 - Elexon govern and publish electrical standards

See our response to question 6

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

Option 5 - Governance by other national standards bodies

See our response to question 6

**Question 10: Should the DTI set up a new standards body?**

Option 6 - Establishment of a DTI standards body

See our response to question 6

**Question 11: How should a DTI standards body be structured and funded?**

Not relevant - see our response to question 10

**Question 12: Should all draft documents be published on a publicly accessible Internet site and should the site have a facility for readers to provide comments using the Internet?**

Yes, there should be no reason why all consultative drafts of new or revised standards should not be provided on an Internet site. Additionally, in pursuit of total transparency in the process, there is also no reason in principle why readers should not be able to post comments. However, the posting of comments brings an obligation on the parties responsible for the governance procedure to deal with those responses in an appropriate manner. The process would need to be funded with this in mind so that all comments can be taken into account. An alternative would be to reduce “frivolous” responses by imposing a small but appropriate fee to participate.

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

As outlined in our response to question 2 the formalising of the relationship between the DCRP and EA to allow access to the current network of electricity distribution expertise should be considered.

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

It would appear inappropriate solely on the grounds of good process management to open all possible drafting committee meetings to the public. If the degree of representation is correct in the governance procedure and other methods of inputting into the consultation on the documents such as the proposed Internet option are robust, it should obviate against any need to open the meetings to the public. It may however be appropriate for certain types of consultations to have “one off” public meeting once the document is at certain stage in its publication. These could be on similar lines to that of Ofgem’s public meetings concerning major consultations.

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

Although this might seem to be a good ideal to strive towards, the practicalities of just where the independent chairpersons would come from would cause severe difficulties. However our belief is that if the governance procedure is robustly designed and there are checks in the process, then chairpersons could be drawn from those with appropriate experience, whether or not they were affiliated to industry organisations.

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

As we stated in our original response the issue with respect to small players is to capture their views and / or concerns without the need for every individual player to be represented. One way would be through the use of trade associations. However, it is difficult to see how the various options will ensure that their establishment is secured if they do not presently exist. The use of the Internet and / or “one off” public meetings are also other mechanisms by which the smaller players can be encouraged to take part. In addition, as already indicated, the DTI may be able to facilitate the development of representative groups.

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

On balance the enhancement of the Distribution Code Review Panel for technical matters only would appear to be the most beneficial option. As outlined in question 13 the use of the EA in the enhanced process would ensure continuity and also safeguard that the best practices of the past are built upon rather than lost. There would also be a degree of stability in the transition to the new process. Finally, it will also be necessary to ensure that all significant players are fully represented on the enhanced body.