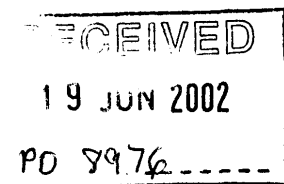


SEEBOARD (POWER NETWORKS)

18 June, 2002

Your ref:
Our ref:

Peter Dickinson
Technical Advisor
Ofgem
9 Millbank
London SW1P 3GE



Strategy and Regulation
SEEBOARD Power Networks plc
Sheencroft
Church Road
Haywards Heath
West Sussex RH16 3SN
Telephone: 01444 477600
Direct Line: 01444 477842
Fax: 01293 577717
Email: dfine@seeboard.com

Dear Mr Dickinson

Governance of electrical standards

I am writing to let you have the comments of SEEBOARD Power Networks on your recent consultation document, "Governance of electrical standards".

Our position is the similar to that set out in Jim Tame's letter of 5 March to John Scott. With the emergence of new parties, such as distributed generators, it is sensible to ensure that existing governance arrangements continue to function effectively and efficiently.

First of all we make some general points, all of which underpin our answers to the specific questions in the document. Our replies to those questions are contained in an attachment to this letter.

Lack of firm evidence for change

We believe that, up to now, the present arrangements have served the industry and its customers effectively and efficiently. Any requirements for change should be based on firm evidence of the need for change. In addition,

The evidence for change in the paper contained in the paper is weak. For example, the end of para 1.4 expresses a concern that there may be a barrier to competition, but produces no evidence that there actually is. If there were anti-competitive behaviour, existing legislation, which acts as a deterrent, can be invoked as a remedy. The Enterprise Bill will further strengthen penalties for anti-competitive behaviour.

Para 1.5 mentions various concerns of "some smaller companies" and "third parties". There is, however, no mention of how widespread these concerns are or the extent to which those expressing the concerns have attempted to use the existing arrangements for dealing with them. Similar remarks apply to advice received by Ofgem from "some industry parties" in para 3.12.

Proposals should be cost effective

Specific proposals should be cost effective – the benefits should justify the costs. The paper contains no indication of the costs and benefits of its options.

For governance of standards, there is no justification for major change. As we said in our letter of 5 March: “We believe that the existing arrangements have worked well and, with minor adjustments, can perform effectively in the future.” If the concerns about access and transparency are truly justified, the most cost effective approach would be to try to meet them within the current set-up, eg by formalising, and where necessary extending, existing DCRP arrangements for the representation of smaller companies and DCRP non-represented parties. In addition, improved DCRP consultation mechanisms, eg through the internet, could be explored.

Commercial framework

An area in which more work would be useful is in the development of a sound commercial framework. Although there is a link with electrical standards, this could be done separately. The CUSC and Grid Code arrangements provide a useful model. The commercial arrangements would be dealt with under determinable bi-lateral agreements.

Finally, I should like to say that we fully support the industry reply from the Electricity Association's Networks Sectoral Committee.

I hope that our comments are useful. Please contact me if you wish to discuss them further.

Yours sincerely



D Fine
Regulation Manager

Governance of electrical standards - Ofgem consultation document

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

We do not believe that there is a case for extending the review as suggested.

Option 1: Enhanced Grid and Distribution Code Review Panels

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

We do not believe that, in general, the additional layers of management that this would entail would be justified. For example, it is likely to slow the drafting process. An ad hoc working group may be appropriate for particularly complex issues.

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

We do not believe that there is a case for enhancement along the lines suggested.

At present the costs of the DCRP are financed by DNOs. Work stemming from additional responsibilities would require additional funding which should come from all participants.

Small stake-holders may need support to facilitate their participation. This could come from either a trade association or by government subsidy or a mixture of both.

Option 2: Commercial role for Grid and Distribution Code Review Panels

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

Question 5: How should these Panels be funded?

We do not support the proposed modification. There is not sufficient justification for the legislative and administrative costs, of which those mentioned in paras 3.41 and 3.43 would be a part.

Funding should come from all participants.

Option 3: Establish a new industry standards body

Question 6: Is it appropriate that the drafting of electrical standards be performed by a new body with a remit to act for the benefit of the principle stakeholders?

Question 7: How should such a body be funded?

We do not support this proposal. The costs are likely to far outweigh the benefits.

Funding should come from all participants.

Option 4: Elexon govern and publish electrical standards

Question 8: Should Elexon oversee governance of the Distribution and Grid codes and reference electrical standards?

No. We believe that this proposal would add extra layers of management and delay for no appreciable benefit.

Option 5: Other standards bodies

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

We do not believe that this option offers cost effective solutions. For example, openness and speed of response are both likely to suffer. In the case of international bodies there is the risk that the UK would lose control of developments - to the eventual disadvantage of UK customers.

Option 6: DTI standards body

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

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

This option is also unlikely to be cost effective.

We have not developed our views on structure and funding.

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?

Provided there are acceptable funding arrangements; for the cost involved, we have no objections to this.

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

As we have already said, we believe that there is no case for a major change to the arrangements for the governance of electrical standards. Minor modifications to improve access and transparency 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?

Open public meetings are unlikely to be cost effective.

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

Cost effective openness and transparency should avoid the need for fully independent chairpersons – always assuming that such people can be found and appointed. There is legislation providing a safeguard against bias resulting in anti-competitive behaviour.

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

Internet access for individuals has already been mentioned. This could be supplemented by opportunities to make written submissions and representation of trade associations. If necessary, trade associations could be supported by the government.

Question 18 (no question 17): Overall which option do you regard as the preferred way forward?

See answer to Question 13 above. We also believe that serious thought needs to be given to commercial arrangements, along the lines indicated in the covering letter to this attachment.