

Your ref

Our ref THS/LA

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Dear Peter

### **Governance of Standards**

I refer to the consultation document relating to the governance of electrical standards dated 30 April 2002. This letter provides a response on behalf of both Yorkshire Electricity Distribution plc and Northern Electric Distribution Ltd.

We welcome the opportunity to contribute towards the current thinking on the governance of technical standards and recognise that, given the likely changes to the distribution network over the forthcoming years, it is appropriate to review the governance arrangements.

It is because of the extent of the possible changes that it is important to have a process that produces technically robust standards that meet the requirements of all stakeholders and retains the ability for a DNO to efficiently manage the risks associated with network operation. The existing governance arrangements have served the industry well for many years and we believe that relatively small changes to address the weaknesses of the current arrangements would be the best way of ensuring they continue to serve the interests of new and existing stakeholders.

The weaknesses of the current arrangement relate to the transparency of the existing governance and the need to ensure that all stakeholders are able to participate in meaningful discussions at an early stage in the standard drafting process. We believe that it would be possible to address these issues with small enhancements to the existing arrangements.

- The existing DCRP governance arrangement does permit smaller stakeholders to initiate a review of standards cited in the DCode, and this process would undoubtedly benefit from additional publicity. It might also be the case that smaller stakeholders are unaware of their representative or feel they are inadequately represented. These issues could be addressed by raising the awareness of, and formalising the existing process and representation on, the DCRP.
- Involvement of smaller stakeholders can be secured by inviting appropriate stakeholders to join standards working groups. In recent standards drafting projects, for example ER G5/4 and ER G75, smaller stakeholders have actively participated from the early stages and it is our view that this approach should continue.

- Membership of the EA is not a requirement to contribute to the existing standards drafting process.
- In order to ensure appropriate representation of the smaller stakeholders within working groups, there needs to be some method of funding such groups either directly or via representative trade associations. The involvement of trade associations would appear to be the most appropriate way of ensuring consultation within a particular stakeholder group. This funding issue, which we believe is significant, will need to be addressed irrespective of whether the existing arrangement is developed or one of the options raised in the consultation document is implemented.

We believe that a properly thought out and well-managed change would be a positive step. On balance, our preference would be to consider how this might be achieved without losing the considerable benefits and expertise that the existing EA arrangements have to offer. In so doing, we acknowledge that the EA would need to be clearly accountable to a properly constituted and governed group.

Having indicated that we would prefer developing the existing process, we recognise that there appears to be an expectation of a more material governance change and, if this proves to be the consensus view, we would support an approach based on Option 1 with its proposal to enhance the role of the DCRP. In this option, DCRP should remain technically focussed but be able to demonstrate due consideration of the commercial and regulatory impact of any proposed change only to those standards referenced in Annex 1 of the DCode.

Attached are our responses to the specific questions raised in the consultation document.

If you would like to discuss any of the issues raised in this letter, or have any questions, please contact me or Phil Jones on 01977 60 5787.

Yours sincerely

**KIRSTY McHUGH**  
Director Regulatory Affairs

### **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?**

Although we are primarily concerned with the standards that apply to distribution systems, we consider that it would be sensible to keep consistent arrangements for both distribution and transmission standards. As such it seems appropriate that the review should focus on improving the model for standards governance and applying best practice across the industry. We firmly believe that the scope of this review should be restricted to the governance of those standards specifically referenced in the Distribution and Grid Codes.

In order to assist with the readability of the remainder of our response, we have referred only to the Distribution Code (DCode), but our comments should be considered to apply equally to the Grid Code.

### **Question 2**

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

We believe that the existing process for establishing and developing the technical issues associated with drafting standards should remain substantially unchanged, but enhanced by incorporating input from all stakeholders at an early stage. By expanding the process to include all stakeholder groups, it would be possible to build on the significant benefits that have accrued as a result of the ownership of technical standards by the transmission and distribution companies. To date this has been achieved by collaborative effort via the industry's trade association, EA. Amendments are also necessary to increase the transparency of the existing DCRP governance arrangements and to create a funding vehicle that facilitates the constructive involvement of smaller stakeholders at an earlier stage.

We do, however, recognise that there is an expectation of more material governance changes and, if this proves to be the consensus view, we would support an approach based on Option 1 with its proposal to enhance the role of the DCRP. The remit of the DCRP would need to be reviewed as part of developing this proposal. It is our view that this enhanced role would be to consider proposals to modify existing standards or prepare new ones and to manage the process of preparing, consulting on and publishing those standards that the panel agreed should be included in a programme of work. Whether this activity would need to be undertaken by the DCRP itself or by a Technical Standards Group reporting to DCRP would need further discussion with the panel.

### **Question 3**

**How should the enhanced Grid and Distribution Code Review Panels be funded?**

Given that we do not envisage significant changes to the way in which standards are actually drafted or modified, it may not be appropriate to consider any change to the way the DCRP is funded. It is important to ensure that the smaller stakeholder groups are adequately represented on the panel and in any relevant engineering standards working group. It is our view that, to achieve this, it may be necessary for central government to provide additional funding to support such smaller stakeholder groups or their trade associations wishing to participate.

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

As indicated above, depending upon the agreed role of the DCRP, it could be appropriate for the remit of the panel to be extended to include administrative management of the governance process.

We do believe that it is important to encourage the panels to ensure that they produce technical solutions and standards that have been tested for commercial and regulatory viability. However, there is a difference between making this a requirement of the technical outputs and setting up the panels to settle and standardise commercial matters.

We do not favour an extension of the remit of the DCRP to include commercial and regulatory issues beyond that of the existing expectation that they will demonstrate appropriate awareness of and sensitivity to those issues. We believe that technical standards should be developed with due recognition of the commercial and regulatory issues and that significant commercial issues should be referred to the appropriate body, as indicated in Fig 3.1 of the consultation document. To include commercial and regulatory issues within the remit of the DCRP would be a significant broadening of the panel's scope and it is not clear that this would benefit the governance of standards. In practice, the desired outcome can be achieved by charging the working groups that develop the technical standards with ensuring that, on an issue-by-issue basis, they involve the necessary blend of expertise in their discussions.

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

N/A

**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?**

We do not believe this would be an appropriate development at this time. As stated earlier we believe that there are significant benefits in continued active involvement by the companies in the drafting of standards, via the EA. This would be subject to an acceptable form of overall accountability being in place, and a clear process for ensuring the proper involvement of appropriate stakeholders in the drafting process. We believe that establishing a new standards drafting body would eliminate this benefit and introduce additional unnecessary costs.

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

N/A

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

We are not in favour of extending the role of Elexon to cover the governance of the industry's technical and engineering standards. Elexon was established to oversee a commercial trading arrangement of large energy players and has no existing experience that would allow it to extend naturally into the governance of technical standards.

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

No, we believe that this option would provide no further benefit to the current governance processes.

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

The DTI, as the Government Department that oversees the electricity industry, has an important role to play in the standards scene. Its key role is in enforcement, particularly in the area of safety. We believe its effectiveness in this capacity would be reduced if it had an interest in the governance of standards (intended to manage key issues such as safety), as well as an enforcement role with regard to the effectiveness of those standards.

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

N/A

**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?**

As a similar approach has already been taken with consultation on DCode changes through the Ofgem web site, it seems reasonable that standards should be published on an Internet site with a facility for recognised stakeholders to make comments.

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

We believe that this consultation document has presented a credible range of options for changes to the current governance process. It is our view that only minor amendments to the current governance processes are required to enable more effective incorporation of the views of smaller stakeholders.

**Question 14**

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

There may be some standards that would benefit from the scrutiny of a public meeting. It is our view that not all engineering standards should be subject to public review as a matter of course, but that it would be appropriate for the chairperson of a standard drafting project to decide if such an approach would be beneficial for any given project.

**Question 15**

**Is it necessary for drafting committees to have fully independent chairpersons? If so, who might such persons be?**

There is no need for an independent chairperson if the initiator of the standard, e.g. DCRP, has set clear terms of reference and is comfortable that its appointed chairperson has the necessary understanding and capability to deliver the initiator's requirements.

**Question 16**

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

We believe all stakeholders, particularly small network users, could improve their ability to participate in the development of standards by formulating trade associations or user groups to jointly employ appropriately skilled and experienced people to represent their interests at the DCRP and in standard working groups. We recognise that smaller stakeholders in the industry may have difficulty co-ordinating and funding such representation and as such we believe central government grant support and advice should be offered to assist them in achieving this.

**Question 18**

**Overall, which option do you regard as the best way forward?**

We believe that the current governance arrangements, with minor modifications to existing drafting processes to include smaller stakeholders at an earlier stage, present the best option for the industry. However, if it is the consensus that change is necessary, then the enhanced role of DCRP presented in option 1, to manage governance of the specific engineering standards cited in the Distribution Code, is the preferred option for moving forward.