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# Review of industry code governance

13 December 2007

# Review of industry codes governance

Is the governance framework fit for purpose?

# Issue 1: The code objectives

- Currently built around statutory duties of network businesses
  - Promoting competition, efficient network operation, co-ordinated and efficient network operation
- Our statutory duties are much wider. Some may not often be relevant to code development, but others are
  - Consumer impacts
  - Sustainable development
  - Better regulation
- Does the mismatch cause problems in bringing forward proposals or in the collection and testing of evidence?

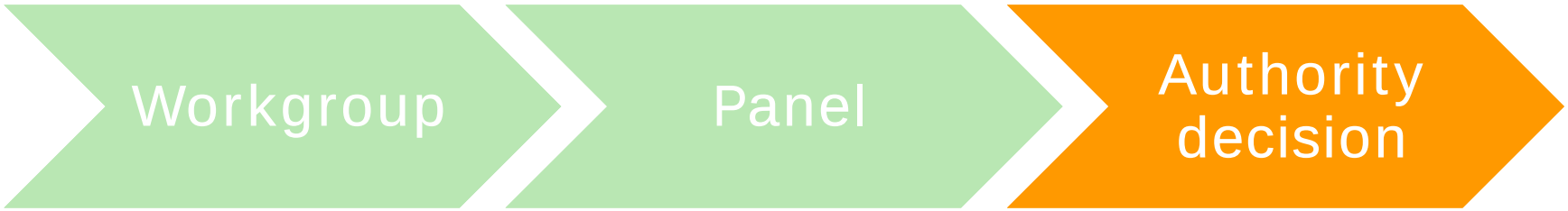
# Issue 2: Code scope

- Network users are commercially impacted both by the codes and by connection and use of system charging methodologies

- But whilst industry code changes are open governance, charging methodologies are much more of a 'black box' to network users
  - Poor oversight on how the methodologies are created
  - Cannot easily assess whether they are delivering their objectives
  - Cannot propose changes

- Would bringing charging methodologies under code governance lead to a more accountable and transparent regime? Would they be more likely to achieve their own objectives?

# Issue 3: Quality processes




- Decision-maker is generally us, but much of the responsibility for evidence gathering and testing rests with within-code processes

- A number of problems are evident
  - evidence is often poor, or non-existent, particularly on costs and benefits
  - assessment against code objectives is often superficial
  - reports that do not make sense on a standalone basis
  - modification processes often lengthy (and open to filibustering?)

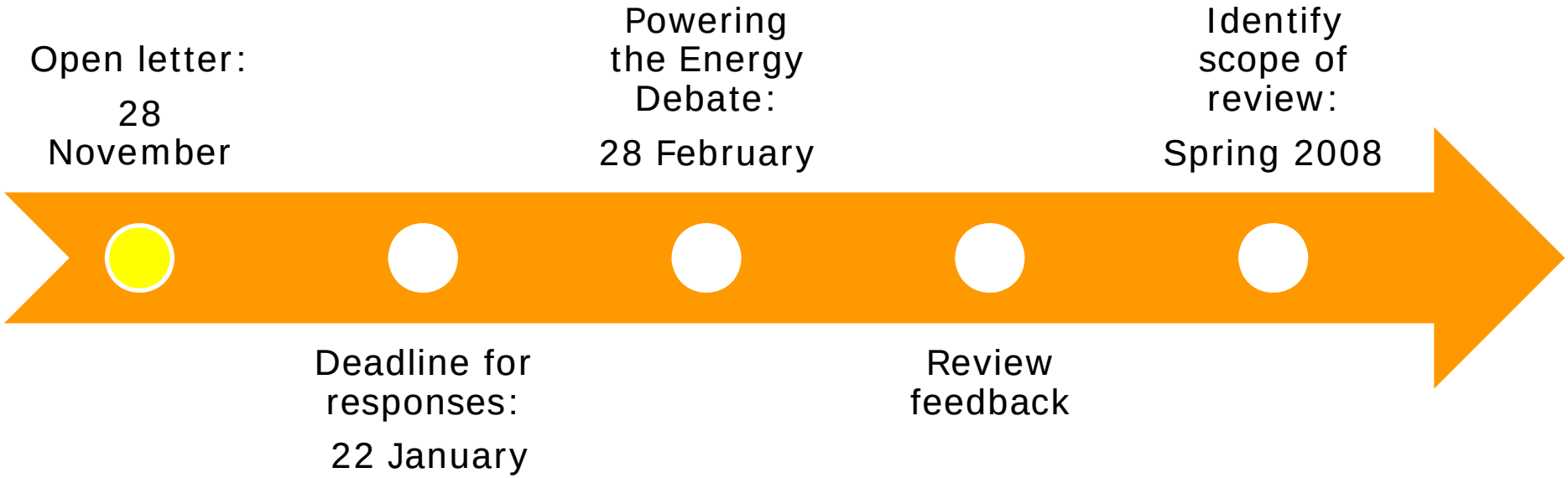
- This situation is a lose-lose for industry and the consumer. What can we do to improve it? KPIs/incentives on code administrators?

# Issue 4: Effective administration

- Fragmented code administration
  - Assessment and development of cross-code issues can be problematic
  - Governance may be duplicated, conflicting or illogically located
  - Multiple monopoly code owners:
    - right efficiency incentives and cost controls?
    - should there be merging of functions?
  - Independent administration
- Is there scope for greater self-regulation?
- Structure of Panels and Committees
- Deficiencies around the provision and quality of legal text
- Potential for cross-border issues depending on development of EU third legislative package

# Our aspirations for code governance

# Way forward


Open letter:
28 November
Deadline for responses:
22 January
Powering the Energy Debate:
28 February
Review feedback
Identify scope of review:
Spring 2008

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