

Industry Codes Governance Review A Network Operator's Perspective

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Introduction

- ◆ Why is Governance important?

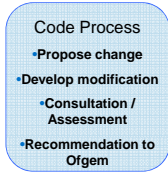
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Themes

- ◆ The Governance process
- ◆ Our Aspirations for Code Governance
- ◆ Our Priorities for the Review
- ◆ Summary

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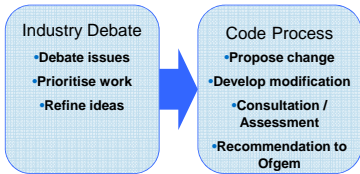
The Governance Process.. 3 Steps of Code Governance



- Process governed by the Code rules and Panels
- But effective process facilitated by good inputs and feedback...



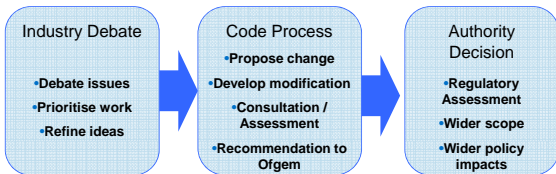
The Governance Process.. 3 Steps of Code Governance



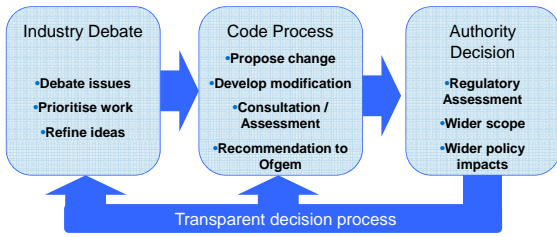
- Some examples exist
 - Gas UNC Workstreams
 - Cashout Review, Access Review – no single Electricity Forum
 - Through Transmission Price Control – Gas Access
 - Through industry group – Electricity Cashout



The Governance Process.. 3 Steps of Code Governance



The Governance Process.. 3 Steps of Code Governance



- All three steps are required to deliver an efficient governance process



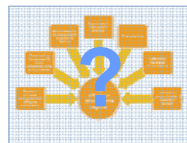
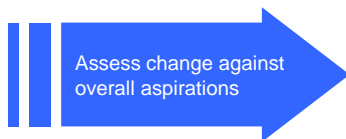
Our Aspirations for Code Governance

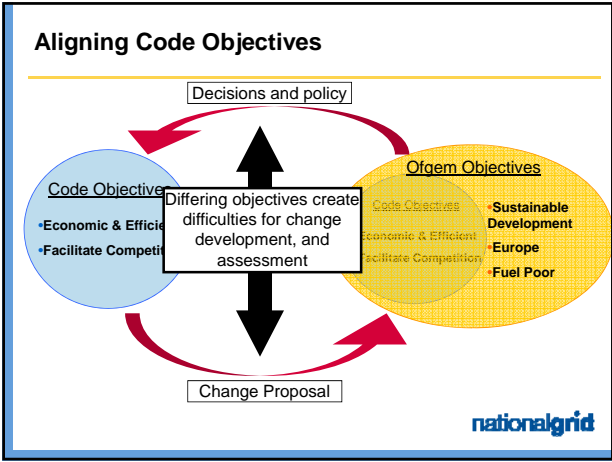
- Inclusive and accessible
- Transparent
- Administered in an independent fashion
- Quality analysis
- Cost effective
- Flexible
- Proportionate burden



Our Priorities for the Review

- Aligning of objectives
- Better analysis of proposals
- Better prioritisation to focus on big ticket items
- Clarification of Ofgem's role at each stage
- Encouragement and implementation of best practice
- Facilitation of major/cross code changes

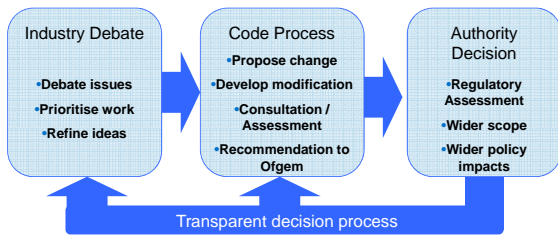




- ### Better Analysis of Proposals
- ◆ Fuller assessment of impacts and benefits
 - ◆ Quantified as fully as possible
 - ◆ Longer assessment period for more complex changes
 - ◆ Can this be achieved by applying greater rigor and discipline within the existing rules?
 - ◆ Proportionate analysis
 - ◆ Need to avoid analysis paralysis
 - ◆ Clear terms of reference are vital
 - ◆ Benefits should always be 'plausible', credible not always possible to precisely quantify
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- ### Improving The Process
- ◆ Better prioritisation to focus on big ticket items
 - ◆ Greater industry engagement prior to initiation of the formal change process
 - ◆ Self governance for some "low grade" changes
 - ◆ Clarification of Ofgem's role at each stage
 - ◆ Greater engagement in early stages
 - ◆ Greater transparency in decision phase
 - ◆ Sharing best practice
 - ◆ Some differences between governance arrangements may be appropriate
 - ◆ Charging Methodologies
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Summary



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