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6th March 2009

Dear Mark

Code Governance Review – Role of Code Administrators and Small Participant/Consumer Initiatives

Thank you for the opportunity to comment on this matter. I am responding on behalf of Contract Natural Gas Limited (CNG), who is retaining me to deal with this matter for them. We are happy for this response to be published.

CNG is a small but growing gas supplier and gas shipper and has been operating in the non-domestic segment of the market for over 14 years. Our comments concentrate on the issue of engaging with smaller participants and are based on our experience of the Uniform Network Code.

We are aware from experience that insufficient attention to detail when drafting modifications can have unintended, and sometimes costly, consequences. However, we have not taken an active role in the development of the codes, as we perceive this would require a commitment of resources that we consider are better spent on other aspects of our business. Consequently, we have been “rule-takers”, monitoring the developments in the codes and adapting our practices as required.

We believe that responsibility for and ownership of a modification should be with the modification’s proposer, so that code administrators are no more than ‘critical friends’. However, code administrators can aid the involvement of smaller participants and consumers by ensuring that proposers identify the financial consequences of a modification and the characteristics of those users most likely to be affected. “Plain English” summaries would also be beneficial.

The major hurdle for smaller participants engaging in the code modification process is having the resource available to investigate proposed modifications and to influence the outcome of the process. This applies as much to smaller licensed suppliers as it does to those covered by licence exemptions. Since the beginning of 2008, 84 of the 95 UNC proposals considered have come either from Big 6-affiliated shippers or from gas network operators and the Brattle report identifies that

companies are employing between one and ten full time equivalent staff to deal with the codes.

We do not believe that changing panel representation arrangements will make a significant difference for smaller participants. While this would give smaller participants some voice in the process, it could place an undue burden on the holder of the designated seat who could still only be a vocal minority. Instead, we believe that code panels should have a duty to take account of the interests and concerns of smaller participants. We support the proposal that panels should provide reasons for their recommendations and suggest that this could also set out the expected impact on smaller participants and consumers.

Our preferred option for improving smaller participant engagement is for the code administrators to take reasonable endeavours to ensure that a broad range of views are obtained on modification proposals. We see this as a development of the 'critical friend' concept and something that could be administered lightly through the code of practice that has been put forward. We would suggest that the precise mechanisms of engagement are something for the code administrators to consider, although our assessment of their effectiveness would depend on how well they take into account the resource constraints of smaller participants and how well they represent the diverse views they are likely to encounter.

The development of a group such as an advocacy panel is not favoured, as it appears to be merely establishing another body that would have to consult with relevant parties in any case, so creating an additional level of bureaucracy for smaller participants. Such a body could also have problems putting any representative comments forward in circumstances where no, or only a few, responses were obtained.

We would be happy to discuss these comments further with you. If you have any questions, please contact me on 07814 009762.

Yours sincerely

Arthur Probert

c.c. Jacqui Hall, Managing Director, Contract Natural Gas Limited