First Hydro Company is part of a joint venture between
International Power plc and Mitsui & Co., Ltd.

Mark Feather
Director, Industry Codes and Licensing
Ofgem
9 Millbank
London SW1P 3GE

18 February 2009

Dear Mark,

Code Governance Review: Role of code administrators and small participant/consumer initiatives

I am writing to you on behalf of International Power's UK generation assets (Deeside Power Development Co Ltd., First Hydro Company, Rugeley Power Generation Ltd., Saltend Cogeneration Ltd., and Indian Queens Power Ltd.) with regard to Ofgem's consultation on the role of code administrators and small participant/consumer initiatives.

International Power welcomes the opportunity to comment on the proposals outlined in this consultation, having been heavily involved in code modification processes for the CUSC and the BSC and to a lesser extent the UNC and the GC. Also, given International Power's position in the UK energy markets and the relatively modest resources the company can therefore dedicate to engagement with code governance, we believe we are well placed to comment on the proposals concerning the participation of smaller players.

International Power does not support a "one size fits all" approach to code administration. We do not believe that there is one 'ideal' model, which is why the checks and balances established in any given model are so important. Though it might be confusing that different structures and procedures exist across the different codes, we think that the expense of attempting to apply one model across all codes would greatly outweigh any potential benefits. We think that a more proportionate approach to change should involve attempting to spread examples of best practice; regular meetings of code administrators, with input from code users, could help to disseminate best practise across all codes.

There may be difficulties for smaller participants in effectively engaging with the code governance processes, given the complex nature of the arrangements and internal levels of

resourcing however, we think that the arrangements are to some extent inevitably complex and that it is a little unrealistic to attempt to 'reduce' this complexity. Rather, we think that practical improvements in communication, measures to encourage engagement across all classes of participant and incremental improvements to the existing administration arrangements would better address any difficulties the necessary complexity of the arrangements may bring. The one area where there might be a case for more fundamental change is the code administration model for the CUSC, which has struggled a little for resources with some of the major, in depth work undertaken for the TAR. Perhaps the UNC model, with its dedicated resource, might work better given the workload (but retaining responsibility for systems unlike UNC model).

In the consultation the Authority has expressed dissatisfaction with the quality of analysis undertaken for modifications, describing it as 'often inadequate'. Given that this view is based on the Brattle Critique, in which only a handful of cases were looked at in depth, we are unconvinced that there are general, underlying issues with the quality of analysis and do not think this should used as a driver for radical change. Looking forward, we think it would be helpful if concerns regarding the quality and scope of analysis were identified and aired as early as possible in the process; this could result from more active Ofgem involvement throughout the entire modifications process.

On the more detailed questions within the consultation on the role of code administrators, we have the following comments:

- "Call in" & "Send back". We agree that it is important that Ofgem is in a position to help guide a modification, to ensure adequate assessment, and inasmuch as the "call in" power would formalise this arrangement we would support its introduction, though ideally, we would hope that Ofgem would not need to use the power given more timely, early input, rather than later intervention. We do not consider that there is a corresponding argument for the introduction of the "send back" power. International Power believes that enhanced dialogue between Ofgem and those involved during the modification process (especially if the "call in" power is introduced) would obviate the need to introduce such a power.
- We agree that all code Panels should have to publish the reasoning behind their recommendations, whether or not a form of self governance is introduced
- We agree that code administrators, in certain circumstances should be able to raise modifications themselves – but subject to agreement from the relevant Panel. In fact, we think it would worth looking into means for non-code signatories to initiate change, again subject to Panel support.
- We think a very positive step would be to develop a code of practice applying to all code administrators. This would be an excellent means of encouraging best practice across all codes. Given the variation across the codes' governance arrangements, we think it would be appropriate to start with a voluntary code.

Suggestions for improving engagement of smaller participants include:

- **Travel Costs:** code administrator to reimburse travel costs associated with meetings attendance. Elexon currently reimburse costs associated with travel to participate in

work groups which helps participation in development of code modification proposals. This could be rolled out to other codes.

- **Scheduling Meetings:** more thought to be put into scheduling industry meetings. For participants not based in London, there could be cost/time savings made if for example two meetings were scheduled for the same day instead of on consecutive days. It might, with careful forward planning, be possible to have a week of code specific meetings. For example, a "BSC week" once every 5 weeks. This would be considerably less onerous than meetings scattered about randomly over the month, many lasting only a few hours.
- **Live Meetings:** more use of internet live meetings. The NG Operation forum has been successfully using internet live meetings for some time and recent SO incentives workshop was another example of using this method to achieve greater level of participation.
- **Ensure meetings are chaired effectively**
- **Plain English**: ensure plain English summaries are published of code modifications. Also, code administrators should endeavour to use plain English across all documentation as far as is possible.
- **Websites:** improve websites to make sure they are easy to use, comprehensive and reliable. For instance there is a long-standing problem opening documents on the NG website which impacts those wishing to keep abreast of CUSC and GC developments.
- **Code Newsletters:** Elexon publish a weekly email newsletter which contains key information on meetings, events, consultations, Modification Proposals, BSC Panel news and project updates. It would be useful if the other code administrators circulated similar summaries.
- **Clear Contact Information:** ensure that details of appropriate contacts within the code administrators are published with any modification request. Also publish the contact details of Ofgem representative assigned to a particular modification.

I hope you find these comments useful and we look forward to participating further in the review.

Yours sincerely

Emma Williams

Interim Manager, Market Development