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Mark Feather
Ofgem
9 Millbank
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27 February 2009

Dear Mr Feather

Code Governance Review – Code Administrators & Small Participants

Welsh Power Group Limited welcomes the opportunity to respond to this consultation document. We considered ourselves to be a smaller player, though active in a number of markets. We are the owners and operator of Uskmouth Power, a 363MW coal fired power plant in South Wales. Welsh Power has a subsidiary Severn Power Limited who is developing an 850MW gas-fired power station on the brown-field site next to Uskmouth Power. We also own Haven Power a small supplier in the I&C electricity market.

We have not answered each of the questions raised, but instead made some broad points.

Code Administrators

Welsh Power does not agree that the quality of analysis has been poor. If Ofgem are not getting the analysis they required to reach a decision they should ask for it during the modification process. As noted in our other responses we would like to see Ofgem take a more active role in the modification processes. However, we do feel that administrators that are arms length from the TO/SO are better if only in perception of impartiality, if not actual accountability to all participants. We have concerns about the way Elexon uses too tight legal opinions compared to say Xoserve, but both structures seem more appropriate than NGC running CUSC.

Generally we would like to see the code administrators as independent from the monopolies, but funded by them. We have looked at the user pays model in the gas market and are extremely concerned that linking charges to services from what are effectively unregulated monopolies will push up costs.

Funding shares does work, but we are aware that it makes larger users less willing to support major changes that could be proposed by smaller players. We therefore feel the monopoly as funder is a better model to achieve market development to the benefit of all.

Control of systems seems to be a difficult issue. Ofgem may be concerned that control by the monopoly can leave to change blocking, but in reality the Elexon model often seems more slow to implement change than the UNC. We therefore do not feel that a case has been made for change in the current arrangements. In terms of accounting for cost Elexon seems the most open, but in the case of NGC as users we are comfortable with the incentives put on NG via their various price controls.

We do not believe that Ofgem should need to send back modifications if it takes a more active role in the modification process. It should ask for the work to be done that it requires to make a decision. The Panels could give more detail on why they make recommendations, but it has historically been self evident based on the responses to the consultations and the background of the Panel members. It would however improve transparency if Ofgem published detailed minutes of the Authority's meetings so the industry better understood their decision making process.

Code administrators should be able to raise modifications that tidy up the codes or reduce the administrative burdens of the code. For example the changes to the credit arrangements we proposed under the BSC P215 was based entirely on work that Elexon had done for ISG in reviewing credit. The administrators could therefore raise modifications when requested to do so by an expert group under the BSC or may be by the Panel. We think this idea is worth pursuing further as the administrators have the expertise to better define such modifications and could certainly help smaller players.

Small Players

As small participants we do find the process is unduly resource intensive and we therefore limit our participation to those issues with greatest relevance. However, just because we do not attend the meetings does not mean that we are not impacted. We do think there are some things that could be done to improve the process, not just for small players, but that would certainly help them:

- The power industry should create workstreams, similar to gas to allow smaller players to get updates on all modifications in one meeting. This is also a chance to air views when not attending development groups, etc..
- Chairmen of modification groups should have to specifically draw out the points raised by smaller players/customers in response to consultations, via some obligation to specifically consider the views of...
- The modification reports should also try to identify what impacts would be on smaller players/customers.
- Ofgem should also give specific consideration to these parties when implementing modifications. However, this does not mean Ofgem should second guess their views, but be mindful of giving the views of these parties more weight as it is new market entrants that are vital to keeping competitive pressure on incumbents.

Welsh Power does not feel that other bodies, either code administrators or Ofgem can fully represent the views of smaller players or customers. They must work with these groups to better capture, represent and protect their interests. Again our experience is that Elexon do this better than NGC as a code operator, seeking out views.

I hope that you find these comments helpful. If you have any questions or wish to discuss any of the issues raised in this letter please do not hesitate to contact me on 020 7659 6620 or Lisa Waters 020 8286 8677.

Yours sincerely

A handwritten signature in black ink that reads "Rebecca Williams". The signature is written in a cursive, flowing style.

Rebecca Williams
Head of Trading