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## OFGEM CONSULTS ON RULE CHANGE REVIEW

- **Ofgem opens two consultations on measures to improve efficiency in making changes to industry rules**
- **Proposed measures will keep regulation in line with impact on customers**

Energy regulator Ofgem today has opened two consultations as part of its major review of the process for making changes to industry codes – the vital sets of rules for taking part in the market and connecting to the networks.

Through the Code Governance Review Ofgem is overhauling industry processes so they are best suited to deliver vital changes emerging from the climate change agenda and other energy challenges faced by the industry. The review will aim to reach conclusions on code changes in a more timely and efficient way and keep regulatory involvement in proportion to the impact the changes would have on customers.

The consultations, which come under the Code Governance Review, are on:

- Major policy reviews and self governance - reforms in the process for changing the codes; and
- the role and responsibilities of the industry code administrators – the bodies that run the codes.

### Major policy reviews and self governance

The proposed reforms in the process for code changes seek to improve efficiency in policy making by removing complexity and other difficulties with the current processes that have hindered progress in recent key strategic code changes.

The regulator has proposed the addition of two new processes for modification of the codes: one in which amendments with significant impacts on policy are dealt with by a Major Policy Review process led by Ofgem; and a Self-Governance process for changes that have little effect on competition or consumers. All other code modifications will, under the proposals for consultation, go through an upgraded version of the existing process in which Ofgem would make decisions only on modification proposals that have implications for competition and consumers.

The Major Policy Review system will ensure that key policy issues are considered in a single procedure by reducing the current need for piecemeal code changes and multiple assessments by industry, the code administrators, the code panels and Ofgem. And the Self Governance process will ensure that Ofgem's resources are focused on the most material issues while reducing industry costs and possibly speeding up implementation of code changes.

### Role and responsibilities of code administrators

This consultation includes changes that could be made in: the governance of code administrators, their funding, how their performance is evaluated and the involvement of small

participants (including small suppliers, shippers, users and generators), consumer representatives and new entrants in the codes. Currently, there are no provisions within the codes which specifically allocate panel membership or voting rights to small participants.

Enabling small participants and consumers to engage more effectively with the code governance procedures is likely to be of particular importance given the on-going changes in the structure of the electricity industry, particularly in relation to wind powered generation and other generators connected to the regional power networks.

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## Notes to editors

### 1. Links to consultation documents

Code Governance Review – role of code administrators and small participant/consumer initiatives

[http://www.ofgem.gov.uk/Licensing/IndCodes/CGR/Documents1/Code\\_admin\\_condoc\\_191208.pdf](http://www.ofgem.gov.uk/Licensing/IndCodes/CGR/Documents1/Code_admin_condoc_191208.pdf)

Code Governance Review: Major Policy Reviews and Self Governance

[http://www.ofgem.gov.uk/Licensing/IndCodes/CGR/Documents1/MajPol\\_SelfGov\\_condoc\\_191208.pdf](http://www.ofgem.gov.uk/Licensing/IndCodes/CGR/Documents1/MajPol_SelfGov_condoc_191208.pdf)

### 2. The codes governance review launches **six** work streams:

**Delivery of major policy reform and self governance:** Ofgem will consult on a framework under which it would manage major policy changes by initiating and leading high level policy reviews where the conclusions of the review would be legally binding. In parallel Ofgem will also consult on proposals to enable it to step out of the codes decision-making process on proposals that have low impact on customers.

**Role of code administrators:** Ofgem will consult on measures to improve the quality of analysis undertaken by code administrators and panels on modification reports. Ofgem will also consult on measures to improve the efficiency and accountability of code administrators.

**Initiatives to support smaller players:** Ofgem will explore whether requirements should be placed on code administrators and panels to consider the needs of smaller players.

**Addressing complexity and fragmentation:** Ofgem will convene a working group to explore simplification and convergence of code modification processes.

**Charging methodologies:** Ofgem will issue a consultation on a range of options that would make charging methodology change processes more accessible to market participants.

**Code objectives:** Ofgem will consult on amending the industry's decision-making criteria on code modifications to take into account environmental issues, building on the guidance Ofgem has issued on the treatment of carbon costs.

### 3. Ofgem intends to host a seminar in February to discuss and hear views on the issues raised in the consultations on the role of code administrators and the major policy review.

Participants are reminded to register their interest by emailing Jenny Boothe ([jenny.boothe@ofgem.gov.uk](mailto:jenny.boothe@ofgem.gov.uk)) by Friday 16 January 2009.

### 4. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. The Authority's powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002, the Energy Act 2004, and the Energy Act 2008 as well as arising from directly effective European Community legislation. References to the Gas Act and the Electricity Act in this Appendix are to Part 1 of each of those Acts.

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