



**Legal, Regulation and  
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By E-mail: [jon.dixon@ofgem.gov.uk](mailto:jon.dixon@ofgem.gov.uk)

Dear Jon,

**Code Governance Review – Role of code administrators and small participant/ consumer initiatives – initial proposals**

Thank you for the opportunity to comment on the above consultation document. This non confidential response is on behalf of the Centrica group of companies excluding Centrica Storage Ltd. We are happy that Ofgem place this response on their website and in the Ofgem library.

As previously stated, Centrica has supported the recommendations of the code administrators working group. We agree that there is merit in industry participants exploring the potential for simplification and improvement of code modification processes.

We are generally supportive of the critical friend approach being employed, believing this could be of value to all participants. Wherever reasonable, it is also sensible to adopt the same approach across all codes. Furthermore, we believe that the broad categorisations set out by Ofgem are welcome, but would welcome further detail on the changes Ofgem believe are necessary to bring this about.

In respect of the updated Impact Assessment provided, it is not clear whether Ofgem envisages the net cost of £62.5-100k per annum being at a code or an industry level. In addition, it is interesting that the CUSC amendments Panel believes the potential costs to be so much at variance with the Impact Assessment. We believe that given this divergence it would be beneficial to explore carefully the underlying reasons for the difference of opinion rather than simply dismissing the CUSC figures.

In terms of the proposed licence obligations to assist small participants and consumer groups, we believe the proposed approach is reasonable. We agree that a clear definition of what constitutes a small participant is needed but consider that using the definition of sub one million supply points has the potential for some perverse outcomes. For example, some of the largest and most

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profitable companies in the world could be deemed to be “small participants” needing extra support, funded by the remainder of the industry.. We suggest that a combined measure such as number of supply points alongside throughput, or a similar measure, would be a more equitable solution. In addition, we feel strongly that it is essential rather than appropriate that any obligations in this area are bounded by a reasonable endeavours principle.

We agree that consumer representation on panels is both reasonable and appropriate where there are clear impacts on consumers. However, we are less convinced that a consumer vote is necessary, especially where this may turn out to be a casting vote, where the consumer impact is, by definition, trivial, such as under self governance. In the same way that limited powers for consumer representatives to propose modifications exist under the UNC, we believe that a similar approach could be usefully considered in respect of voting powers.

We generally support the proposals for Ofgem to appoint chairs for the panels and associated voting rights, but believe that more should be done now to set out how Ofgem intend to operate the process, and what safeguards would be in place to ensure that industry participants had a say before, during and after and decisions.

We also support the proposals that reasons should be provided for decisions, but believe that the obligation should rest with the panel as a whole rather than individual members. It would be sensible for the Vote to be recorded in the final modification or amendment report together with the Panel reasons for the decision and why this is justified, together with any dissenting panel member opinions they may wish to record. However, we are concerned that to require each decision to be individually justified by each panel member may be disproportionate.

Moving to the proposed call in and send back powers, we are not yet convinced that this offers any sustained advantage over the existing process, within which there is ample flexibility for issues to be raised and guidance given during the modification process. We are concerned that the additional uncertainty created by these powers may actually impose additional risks and delays on the industry. Impacts which could have been avoided by a more active participation in the modification process by Ofgem.

We agree that mechanisms are required for evaluating and preferably benchmarking the performance of code administrators. ISO 9001 would clearly be an option for this, but we are concerned that the estimate of £1k-£3k per organisation for accreditation is extremely low. It may be that this relates only to the cost of accreditation visits and does not incorporate the underlying infrastructure, planning and process changes required. We would appreciate further clarity on this point and are not able to support the proposal in the absence of detailed estimates from the individual administrators on the total costs of achieving accreditation for their organisation.

Should you wish to discuss any of the points raised above in more detail, I would be happy to help and can be contacted on the above number.

Yours sincerely

*By e-mail*

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