



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

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Jon Dixon  
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18 September 2009

Dear Jon,

**Code Governance Review: Role of code administrators and small participant/consumer initiatives  
– Initial Proposals**

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 initial proposals on work strands relating to 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 thoroughly 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.

We are pleased that Ofgem has decided against proposals for major structural reforms and is concentrating instead on identifying areas where incremental changes can deliver improvements to the current arrangements. In particular we support the move away from attempting to introduce a "one size fits all" model across all the code administrators viewing this as unnecessary, disproportionate and costly.

**Critical Friend**

We agree that the 'critical friend' approach represents an appropriate model for the major code administrators. Many of the desired features are, in fact, already undertaken across the codes, so we are unsure whether there is value in formalising the requirements. In the consultation Ofgem suggest that this might be achieved via formal objectives or licence modifications. Given the commitment to reconvene the CAWG to establish a Code of Practice, we wonder if the critical friend

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role would be best advanced, in the first instance, by voluntary adherence to the agreed Code of Practice as well as endeavours by code administrators to communicate and share best practice at the regular tri-partite code administrator meetings.

### **Obligation to Assist Small Participants & Consumer Groups**

With regards to proposals to place an obligation on code administrators to assist small participants, we do not believe a specific obligation is necessary. Assuming the code administrator is successfully acting as a critical friend there should not be a need for any specific initiative for smaller participants. This would then avoid the difficulties of actually defining a small participant. International Power is a good example of the inevitable inconsistencies involved in any such exercise; as a signatory to all the major codes, International Power could be considered a small participant as a supplier or shipper, but a large participant as a generator. It makes much more sense to ensure that the code administrators deliver a wholly inclusive service, supporting where necessary all code signatories, rather than introducing measures exclusively for smaller participants. Please see our response to the previous consultation for a list of specific measures we believe would assist the participation of smaller parties.

### **Panels**

In principle, we believe that well informed consumer involvement in the industry codes is beneficial however we are not sufficiently involved in the UNC to comment on whether Consumer Focus should be granted voting rights on the UNC panel.

Ofgem also proposes that the Authority should appoint the chairs of the UNC & CUSC panels, as they already do with the chair of the BSC, and that these chairs be granted casting votes. We would support this in principle as this should promote independent, objective code administration, though we would qualify this support were the current Major Policy Review proposals to be adopted. In this case we believe it would be more appropriate for DECC to make such appointments. We have no opinion on the timing of the appointments other than to advise that this decision is made jointly with the current chairs.

### **Call In & Send Back Powers**

We do not consider it necessary to include the powers to 'call in' and 'send back' modification proposals within the relevant licences. Though we agree that it is important that Ofgem is in a position to help guide a modification and ensure adequate assessment is undertaken, we question whether code or licence modifications are necessary to achieve this. A more appropriate mechanism might be in the form of a request to the relevant panel.

### **Panels to Provide Reasons for Decisions**

We agree that panel members should provide reasons for their recommendations and that these should be clear in relation to the relevant objectives, should appear in the final reports, and should include sufficient explanation. However, we are not certain that it is necessary to make licence modifications to achieve this, given that the panels of the major codes have, to our knowledge, already adopted this practice.

We hope these comments are useful.

Yours sincerely

Emma Williams  
Market Development