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FAO Jenny Boothe  
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12<sup>th</sup> October 2009

Dear Jenny

**AEP response to your Code Governance Review: Governance of charging methodologies: Initial Proposals**

Thank you for the opportunity to respond to your consultation on initial proposals for the future governance of charging methodologies. As you are aware the Association of Electricity Producers represents generating companies in the UK with our membership comprising a wide range of technologies utilising fossil, nuclear and renewable sources of energy. Our members include some of the largest through to the smallest UK energy producers many of whom actively participate in the development of all industry codes. We provide regular updates through our association committees for those who are unable to participate directly. This consultation response has been compiled following discussions at our Electricity Trading Committee and Electricity Networks Committee.

During your last round of consultation on the issue of the future governance of charging methodologies we were unable to find consensus on the preferred way forward. This most recent consultation reveals that this is reflected across the wider industry participants too. The need to find a cost reflective approach, whilst enabling an inclusive, transparent and balanced future role for industry has once again divided our membership with regard to their preferred way forward.

Ofgem has stated it is minded to consider only Option 2 – Refining the existing licence arrangements or Option 3 - Industry codes governance however some members have expressed support for Option 1 – retention of the Status Quo. This would be with the addition of a best endeavours licence condition for National Grid to ensure the fullest and most transparent debate on all proposals. A slight majority amongst our members preferred Option 3 provided a normal Connection and Use of System type of governance applied and a Chair who was independent from National Grid presided over Working Group deliberations. Once any particular change has

been agreed by Ofgem, the legal text must be written in such a way as to make clear the intention and impact of the change for all Users.

During debate of this issue one concern with particular reference to the Offshore arrangements was raised which has relevance to this consultation. Due to the Go Live timing of the new Offshore regime it is necessary to require a mid year change to the Transmission Network Use of System Charges. Members are keen to ensure that this in no way constitutes a precedent for mid year charging related change in future. To do so would undermine the ability of all sectors of the industry to fully appreciate and factor in to contract negotiations this important element of price. This uncertainty risk could ultimately adversely impact consumers.

If you have any enquiries regarding this response please feel free to contact Barbara Vest, Head of Electricity Trading on 07736 107 020

Yours sincerely

David Porter OBE  
Chief Executive

(By email)