



Gas and electricity industry participants, consumer representatives, code administrators and other interested parties

*Promoting choice and value for all customers*

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Dear Colleague,

### **Codes Governance Review Initial Proposals – illustrative licence modification drafting**

In July this year we published consultation documents in relation to our initial proposals for Major Policy Reviews and Self Governance<sup>1</sup> and, at the same time, on the Role of Code Administrators and small participant/consumer initiatives<sup>2</sup>. These consultations were followed in August by a consultation document relating to our initial proposals for the Governance of Charging Methodologies<sup>3</sup> (the "consultation documents").

We are still considering responses to those consultations.

However, in order to further assist stakeholder understanding of the initial proposals set out in the consultation documents, we have prepared illustrative licence drafting - which is annexed to this letter.

#### ***Purpose of the illustrative drafting***

Our primary purpose in publishing the illustrative drafting is to assist stakeholder understanding of the initial proposals described in the consultation documents, thereby increasing transparency. The consultation seeks to ensure that, when a final decision is taken in relation to the Code Governance Review, we will have had the benefit of industry comments at an early stage on the associated licence modifications, which can be published alongside our final proposals, due early 2010.

The illustrative drafting does not reflect a policy view in relation to the initial proposals beyond that initial view stated in the consultation documents themselves. For instance, we have provided illustrative drafting for both options 2 and 3 for charging methodology governance.

Moreover, the illustrative drafting represents just one potential way of giving effect to the initial proposals, were they to be adopted. The consultation on this illustrative drafting will not affect the statutory licence drafting consultation that will be undertaken as appropriate following a final decision having been taken by the Authority.

<sup>1</sup> [Code Governance Review: Major Policy Reviews and Self-Governance - Initial Proposals \(Ref: 84/09\)](#)

<sup>2</sup> [Code Governance Review: Role of code administrators and small participant/consumer initiatives - Initial Proposals \(Ref: 85/09\)](#)

<sup>3</sup> [Code Governance Review: Governance of charging methodologies - Initial proposals \(Ref: 108/09\)](#)

## ***Invitation to comment***

We invite comments on the annexed licence drafting. Any such comments will be considered in addition to any previously provided in response to the consultation documents. In particular, we welcome comments on whether the drafting accords with your understanding of the initial proposals, whether it is sufficiently clear and whether you consider it effective in meeting the expressed intention of a particular proposal/option, notwithstanding any opinions you may have already expressed on that proposal. We also invite comment from any party who has not have previously done so.

## ***Notes on the annexes***

The Annexes contain illustrative drafting in relation to:

- Annex 1 - Major Policy Reviews and Self Governance;
- Annex 2 - Code Administrators and small participants/consumer initiatives; and
- Annex 3 - Charging Methodologies.

Although the licence drafting has been prepared separately for the three consultation documents, please note that a large proportion of the illustrative drafting affects the same licence conditions.

Annex 1 contains drafting only in respect of the licence conditions governing the UNC, CUSC and BSC. We have not (at this stage) provided equivalent drafting in relation to the licence conditions governing the other codes, namely the Grid Code, the IGT UNC, the STC, the DCUSA, the Distribution Code, the SPAA and the MRA.

Annex 2 contains drafting to reflect (where applicable) the initiatives contained within our initial proposals for the role of Code Administrators and small participant/consumer initiatives. However, we acknowledge that many of these initiatives could be implemented through alternative means, such as the Code of Practice being developed under the auspices of the Code Administrators Working Group (CAWG), or indeed through modification to the relevant code modification rules.

Annex 3 contains licence drafting for Options 2 and 3 of the initial proposals on the Governance of Charging methodologies. The drafting relating to the Electricity Transmission licence conditions incorporates changes made in July 2009<sup>4</sup>.

## ***Timing***

We welcome comments on the illustrative licence drafting by **8 December 2009**. We would prefer as far as possible that responses are in a form that can be published on our website and in our library, though respondents may request that their response is kept confidential.

The next steps in the project are to publish a set of final proposals early in 2010 and at the same time we plan to include a revised version of licence modification drafting which represents our final proposals. At this time we expect to provide a consolidated version of the licence changes proposed across all the workstrands for this project. We will look for comment on the draft licence changes before undertaking a statutory consultation on licence modifications.

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<sup>4</sup> [http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/Charging/Documents1/SLC%20C5\\_C6.pdf](http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/Charging/Documents1/SLC%20C5_C6.pdf)

If you have any questions on this letter or in relation to the Codes Governance Review more generally, please feel free to contact me.

Yours faithfully,

**Mark Cox**  
**Associate Partner, Industry Codes and Licensing**