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Review of industry code governance

April 2010

Code Governance Review Summary

- Inclusive and accessible
- Transparent processes
- Independent administration
- Balanced and rigorous analysis
- Cost effective
- Efficient change management
- Proportionate regulatory burden

Scope of Final Proposals:

- Introduce significant code reviews
- Introduce further self-governance
- Evolve role of the Code Administrator and Panel
- Introduce Code of Practice and KPIs for Code Administration
- Open up network charging methodologies

Also covered:

- Environmental assessment & relevant objectives
- "Timing Out"

Significant Code Reviews

- New role for Ofgem to lead SCRs – code issues considered to be significant and complex
- Unless Ofgem approves otherwise, non-urgent modifications on related matters will be incorporated within the SCR
- Alternatives to SCR modification proposals can be raised during the working group stage
- Licensees to raise modifications (where appropriate) following a SCR
- Impact on panel will be limited:
  - focuses mainly on process ahead of a modification being raised
  - However, opportunity for Panel to suggest mod proposals be elevated to a SCR
- Proposals include a number of changes based on feedback to IP, e.g.
  - Ofgem not to draft legal text for SCR mod
  - No power for Ofgem to modify SCR direction
  - Licensees free to make recommendation as they see fit
  - Independent chair only approved by Ofgem

Self Governance

- New modifications path where proposal is likely to have non-material impacts
- Industry to develop detail on voting / decision making arrangements
- Panel determines if proposal suitable for SG
- Route may change later in process (i.e. following receipt of responses)
- Ofgem power to override Panel filter decision
- Equal rights for all parties to appeal self-governance modifications decisions to Ofgem.

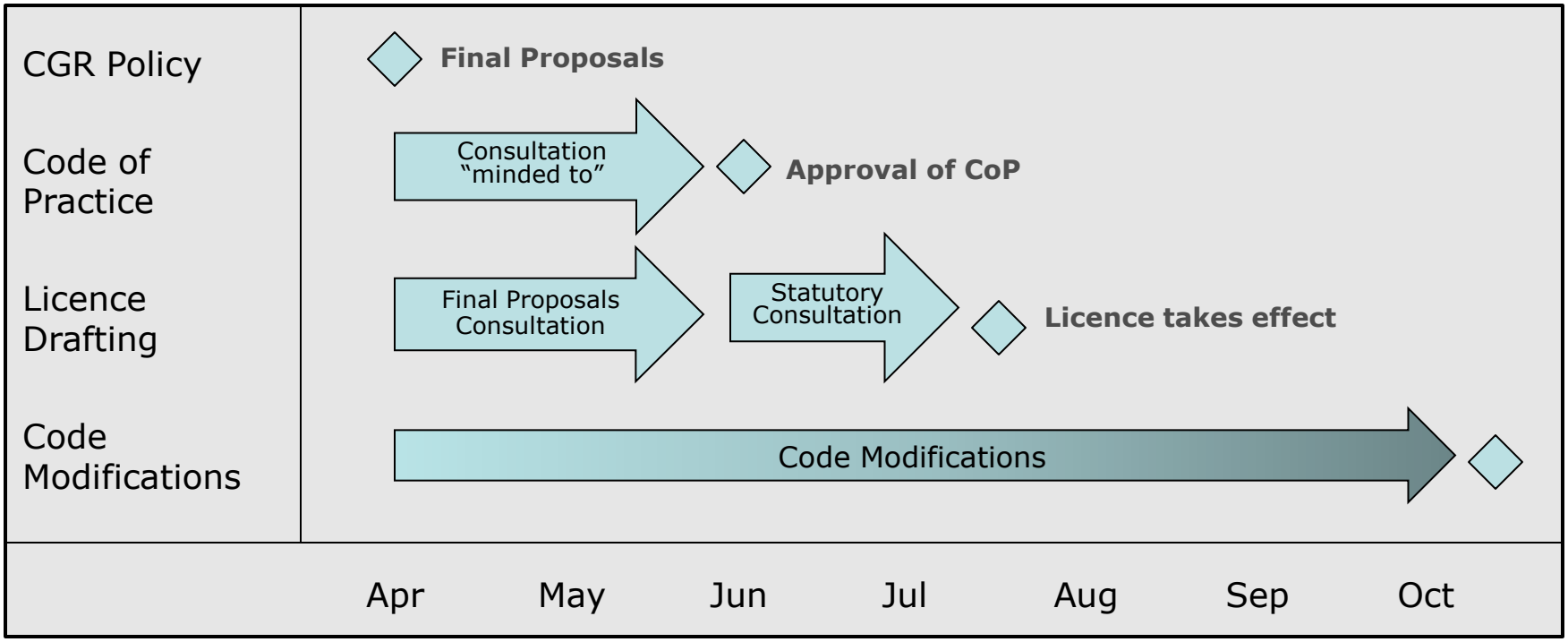
The Role of the Code Administrator and Panel

- 'Critical Friend' obligation on CAs to assist where requested
- Code administrators to adhere to principles set out in Code of Practice:
  - Improved efficiency
  - Increased accessibility
  - Increased standardisation across codes
- Adoption of and reporting on KPIs by CAs
- Authority approval, rather than appointment, of independent panel chair
- Panels to provide reasons for their recommendations and decisions
- Ability to 'send back' final modification report to Panel if Authority considers it is deficient

Network Charging methodologies

- Inclusion of specific network charging methodologies in industry codes
- Allows materially affected parties to propose changes
- Proposal window to facilitate effective management of modification process
- Authority ability to designate a non-code party as a materially affected party.
- 25 day KPI for decisions (longer if doing IA).
- Requirement to maintain charging forums.
- UNC and CUSC Panels will be providing oversight of charging methodology proposals
- Charging methodology decisions will become subject to appeal to the Competition Commission

CGR – Expected Implementation Timeline



Workshops: 23 April – Licence drafting
29 April - Code of Practice and KPIs

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