

Governance arrangements for gas and electricity connection charging methodologies

Workshop on Friday 8 October, 2010

Impact of Code Governance Review (CGR) on Charging Methodologies (CMs)

- The CGR was established by Ofgem to review if arrangements for governing the industry codes remain fit for purpose.
- The outcome of this review includes the decision to incorporate network CMs into the relevant industry codes
- The aim of this proposal is to improve:
 - **accessibility**
 - **transparency** to users
 - **accountability** of the network owners and operators.

- CMs are being incorporated into the existing industry codes UNC, DCUSA and CUSC
- These changes will allow:
 - parties to the industry codes (or a materially affected party) being able to raise a change proposal – in the past only the network companies could do this
 - Ofgem Key Performance Indicator used for issue of Authority decision (rather than existing 28 day veto process)
 - requirement to maintain charging forums

Distribution Connection Charging Methodologies (CCM) not included in CGR

- Respondents to CGR consultations were concerned that parties connecting to distribution networks may:
 - have a one off relationship with the distribution network operator
 - not be parties to the relevant code (that could contain governance arrangements for the CCM).
- Distribution CCM for gas and electricity are being progressed outwith the CGR project.

Ofgem remains of the view that gas and electricity CCMs should have open governance arrangements

SLC requirement	Applicable to Gas/electricity
Must provide a report to the Authority that sets out the modification, how it achieves the Relevant Objectives and the implementation date	Gas and electricity licensees (for electricity any representations made on the modification must be included)
Cannot amend the CCM statement if (within 28 days) the Authority directs that the modification not be made <u>or</u> the Authority has told the licensee that it intends to consult and within 3 months of that notification directs that the modification is not made	Gas and electricity
Give the Authority a copy of a CCM statement including the modification	Gas and electricity
<p>These arrangements are very similar and allow DNOs and GDNs to modify their CCMs individually and they do not allow other parties to raise modification proposals</p>	

Common CCM

Electricity:

- Each DNO has agreed to adopt a Common CCM.
- Commonality and increased clarity in connection charging should provide greater consistency and transparency and allow connecting customers to better understand and estimate connection charges.
- On 29 July 2010 the Authority issued its decision not to veto each of the modification proposals made by DNOs to replace their existing Methodology with the Common CCM.
- We consider that it is necessary to develop common governance arrangements to facilitate the development of the Common CCM.

Gas:

- There is no licence requirement on the GDNs to require them to have common CCMs.
- Each of the gas CCMs are similar.

Purpose of Workshop

At this workshop we hope to establish:

- the best way to maintain and develop commonality in the electricity and gas CCMs
- if there are good reasons not to introduce open governance arrangements for electricity and gas CCM
- options for ensuring that effective, common governance arrangements are put in place.

The background of the slide is a composite image. On the left, there are rows of solar panels under a bright sun. On the right, a hand is shown holding a white document. In the bottom left corner, a blue gas burner is visible. The overall theme is energy and customer service.

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Promoting choice and value
for all gas and electricity customers