



Industry participants, customers
and other interested parties

*Promoting choice and value for
all gas and electricity customers*

Direct Dial: 020 7901 7164
Email: industrycodes@ofgem.gov.uk

Date: 29 March 2012

Dear Colleague,

Reviewing the Code Administration Code of Practice: Invitation to a working group

Background

On 31 March 2010 Ofgem published its final proposals in respect of the Code Governance Review which, amongst other things, provided for the introduction of the Code Administration Code of Practice (CACoP)¹. The CACoP was implemented on 31 December 2010 and aims to facilitate convergence and transparency in code modification processes. The BSC, CUSC and UNC code administrators have committed to operating their code administration functions in accordance with the CACoP and this is mandated through licence conditions. Other code administrators are presently adopting the CACoP's principles on a voluntary basis and may be mandated to this through licence conditions in the future.

It was envisaged that the CACoP would be an evolving document and as such should be periodically reviewed to ensure that it remains fit for purpose. A process for conducting such a review is outlined in Principle 4 of the CACoP, allowing for code administrators and users to suggest amendments which will be considered by a group convened for that purpose.

Code Administrators' working group: CACoP review

As some potential amendments to the CACoP have been identified for consideration following its first year of implementation, code administrators and users are invited to join a working group for the purposes of considering these potential changes and making recommendations on the way forward. A meeting of this working group will be organised and coordinated by Ofgem, to be held by teleconference on **24 April 2012 at 10am**. Please note that this will be a newly formed working group for the purposes of reviewing potential CACoP amendments. A draft agenda and draft terms of reference are provided alongside this letter.

If you would like to join this working group please email lisa.charlesworth@ofgem.gov.uk **by 16 April**. If there are any changes to the CACoP that you would like to propose for consideration as part of this first review, in addition to the areas described below, please also bring these to our attention by this date. Attendance at the working group is open to code administrators who have adopted this Code of Practice and users of those codes. Recognising that other codes have adopted the CACoP on an informal basis, and that they

¹ A copy of the Code Administration Code of Practice can be found at <http://www.ofgem.gov.uk/Licensing/IndCodes/CGR/Documents1/FinalCoP.pdf>

may be mandated to follow this in the future, we would welcome attendance from representatives of other codes in addition to the BSC, CUSC and UNC.

We remain of the view that it should be for code administrators and users to develop any proposed changes to the CACoP, and that it would not be appropriate for Ofgem to play a central role in this respect. However, recognising that Ofgem can play a constructive role in coordinating this first review, we are facilitating and supporting this process. Any amendments that are put forward by the working group will be consulted on and will be subject to Ofgem approval.

Potential amendments raised

A year following its implementation, Ofgem sought to gain feedback from Code Administrators who have adopted the CACoP and users of those codes. In particular to gain views on how successfully the CACoP has been implemented and how effectively the principles are being achieved in practice. Responses received to this consultation are published alongside this letter. This user feedback has provided the basis for the potential amendments to be considered by the working group.

Further to this, and as provided for in the review process described in Principle 4, a meeting of the BSC, CUSC and UNC code administrators was held on 7 March 2012 where some of these issues and the results of the KPI reporting were discussed. This was also an opportunity for the code administrators to discuss best practice in the application of the CACoP principles.

The areas that have been identified for review and potential amendment are described below.

- **Principle 12: Code Administrator KPIs**

The focus of the working group will be to explore how useful users, in particular, consider the individual KPI measures and whether any amendments to these are required at this stage to aid consistent and meaningful reporting.

Feedback received from both code administrators and users has been broadly in agreement that setting KPI targets at this stage will not be helpful. We agree that at the present time the KPIs should remain as measures only.

- **Standard modification process**

The CACoP introduced a standard modification process including standard terminology, indicative timeframes, and standard process templates. Feedback from code administrators has indicated that it would be beneficial to clarify the extent to which the standard process templates are fixed or allow for some flexibility. The focus of the working group will be to explore which elements of standardisation users consider to be most helpful, and to address any implementation issues. The particular areas for discussion are:

- Standard process templates
- Pre-modification process
- Standard process timeframes
- Proposers' right to speak
- Code modification rules complexity
- Post implementation analysis

- **Principle 4: CACoP change process**

The working group will also take the opportunity to consider the process for future reviews.

Please let us know by **16 April** if you would like to join this working group or if you have any questions.

Yours sincerely,

Lisa Charlesworth
Manager, Industry Codes and Licensing