



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

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

Email: industrycodes@ofgem.gov.uk

Date: 28 September 2012

Dear Colleague,

Consultation on illustrative licence modifications – Code Governance Review Phase 2 proposals

We have today published a consultation ('CGR2 consultation') in relation to our proposals to extend certain outcomes of Ofgem's Code Governance Review¹ into other industry codes. We have prepared illustrative licence drafting – which is annexed to this letter – to set out the changes to licence conditions that could potentially give effect to these proposals.

The proposed licence modifications reflect our CGR2 proposals; the illustrative drafting provided here should therefore be read in conjunction with our CGR2 consultation. We would welcome views on this illustrative licence drafting, as well as suggestions on alternative ways of giving effect to the proposals set out in the CGR2 consultation, by **23 November 2012**.

Relevant licensees

The proposals set out in our CGR2 consultation apply to holders of the relevant licenses as listed below. The licence modifications would also affect the code Parties and other interested parties.

Affected code	Modified licence condition	Summary of proposed changes
BSC	Electricity Transmission Licence SLC C3	Amend appeal window for self governance decisions; enable 'fast track' self governance
CUSC	Electricity Transmission Licence SLC C10	Amend appeal window for self governance decisions; enable 'fast track' self governance
Grid Code	Electricity Transmission Licence SLC C14	Enable open governance framework; introduce Significant Code Review process; introduce Code Administration Code of Practice (CACoP)/'critical friend';

¹ <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=297&refer=Licensing/IndCodes/CGR>

Affected code	Modified licence condition	Summary of proposed changes
		enable send-back powers; require reporting of assessment against relevant objectives
STC	Electricity Transmission SLC B12	Enable self governance; introduce Significant Code Review process; introduce Code Administration Code of Practice (CACoP); enable send-back powers; require reporting of assessment against relevant objectives
DCUSA	Electricity Distribution Licence SLC 22	Extend the scope of self governance; introduce Significant Code Review process; introduce Code Administration Code of Practice (CACoP)/'critical friend'; enable send-back powers; require reporting of assessment against relevant objectives
MRA	Electricity Distribution Licence SLC 23	Set out relevant code objectives; introduce Significant Code Review process; introduce Code Administration Code of Practice (CACoP)/'critical friend'; enable send-back powers; require reporting of assessment against relevant objectives
Distribution Code	Electricity Distribution Licence SLC 21	Enable open governance framework; introduce Significant Code Review process; introduce Code Administration Code of Practice (CACoP)/'critical friend'; enable send-back powers; require reporting of assessment against relevant objectives
UNC	Gas Transporter Licence SSLC A11	Amend appeal window for self governance decisions; enable 'fast track' self governance; move Agency Charging Statement into UNC
IGT UNC	Gas Transporter Licence SLC 9	Enable self governance; introduce Significant Code Review process; introduce Code Administration Code of Practice (CACoP)/'critical friend'; enable send-back powers; require reporting of assessment against relevant objectives
SPAA	Gas Supply Licence SLC 30	Require non-domestic suppliers to accede to relevant provisions; introduce

Affected code	Modified licence condition	Summary of proposed changes
		Significant Code Review process; introduce Code Administration Code of Practice (CACoP)/'critical friend'; enable send-back powers; require reporting of assessment against relevant objectives

Proposed amendments

The licence drafting annexed to this letter has been largely based upon the modifications made to the Standard Conditions of the Electricity Transmission Licence and Standard Special Conditions of the Gas Transporter Licence which gave effect to the final proposals of the Code Governance Review in 2010.² We have, however, sought to make improvements on this where possible. For example, the concepts of Significant Code Reviews and Self Governance are now established and we consider that these could be more readily introduced into the codes without the specific process steps being prescribed at a licence level. We would welcome comments on this approach.

For the most part the wording of the licence drafting for the CGR2 proposals is largely the same across the applicable codes, however this may vary slightly as it has been drafted to fit in with the existing provisions of that licence condition as far as possible, and to follow the most logical placement. Where proposed wording is not identical, the effect of the drafting is intended to be materially the same.

In line with the Code Governance Review principles of simplification and alignment across codes, where the licence refers to any body established for the purpose of overseeing the modification procedures of the relevant code, that body will be referred to in licence as a 'panel', rather than 'committee' for example. We also propose to refer consistently to 'modifications' to the code rather than 'amendments' or other cognisant expressions.

We have also sought to make some minor housekeeping amendments to existing provisions, and would welcome views on any others identified.

Views invited

We welcome views on the illustrative licence drafting, in particular:

1. Do you consider that the licence drafting would achieve the policy proposals set out in the CGR2 consultation?
2. Have you identified any other or consequential changes that would be required to implement these proposals?
3. Have you identified any unforeseen consequence of the licence drafting?
4. Do you agree that, where licence drafting differs between licence conditions, the substantive effect is materially the same?
5. Are there any elements of the drafting that you do not understand or that you consider inappropriate?
6. Do you agree with our preservation of existing provision numbering?
7. Do you agree with the alignment of terminology across the licence conditions?
8. Have you identified any other housekeeping amendments that may be required?
9. Do you have any other (non-policy related) comments on the proposed licence drafting?

² <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=330&refer=Licensing/IndCodes/CGR>

Next steps

We propose to hold a workshop on **2 November 2012** to discuss the CGR2 proposals and licence drafting. This is intended to be a chance for group discussion and to work through the proposed licence changes, in particular with relevant licensees. If you would like to attend please email us at industrycodes@ofgem.gov.uk by **24 October 2012**.

Responses to this illustrative licence consultation are invited by 23 November 2012 and can be sent to the above email address or by post to:

Industry Codes & Licensing
Ofgem
9 Millbank
London SW1P 3GE

Any responses not marked as confidential will be published on the Ofgem website.

Dependent upon our final CGR2 proposals, a statutory consultation on licence modifications would be published early 2013. For further information please refer to our CGR2 consultation or contact Lisa Charlesworth at industrycodes@ofgem.gov.uk.

Yours faithfully,

Lesley Nugent
Head of Industry Codes and Licensing