

By Email

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Dear Lisa,

INDUSTRY CODE GOVERNANCE REVIEW (PHASE 2) PROPOSALS

Thank you for your open letter dated 28th September 2012 and an extension to 30th November 2012 for MRASCo's response to the second phase of the Code Governance Review Proposals (CGR).

This response complements MRASCo's previous submissions to Ofgem's CGR development work (i.e. see submissions made on 18th September 2009 and 1st June 2012). In those responses, MRASCo highlighted its commitment towards best practice and ongoing code management improvements. MRASCo further noted that, in light of previous CACoP review work, it had voluntarily undertaken impact assessments and adopted changes where such further improvements could be made (see Appendix A – Our Review Work). This response may be made publicly available with the exception of confidential Appendix B).

Whilst for some Codes there may be merit in adopting some (or all) of these recommendations (such as self governance), MRASCo remains of the view that there is little value to be gained in formally aligning the MRA with CACoP or adopting a number of the additional initiatives (such as the incorporation of MRA Objectives) now being proposed in this latest consultation.

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Ofgem acknowledges that self governance is already adequately embedded within the MRA. We support this view and argue that effective governance is evidenced by the MRA's delivery of fully formed industry change in support of the Green Deal and more recently for Smart Metering Foundation requirements. In fact, the MRA notes that it is the first code to do so. The MRA is therefore already working effectively and efficiently. These latest proposals merely add in cost and resource effort at a time when the MRA and its associated products are already undergoing significant transformation with regard to the Green Deal and Smart Metering. Adding in a code review in addition to this activity would divert time and resources at a critical juncture in market reform that is necessary to deliver Governmental policy objectives, especially when the form and shape of the MRA post 2015 will possibly change in light of Smart Metering and the shift towards SEC registration processes come 2017.

MRASCo has estimated that the cost of adopting the proposals outlined by Ofgem and moving more formally under the ambit of the CACoP is in excess of £100,000 (see the confidential Appendix B – Cost Breakdown). This is a material budgetary consideration for MRASCo, one that is likely to require a full budget review exercise to ensure adequate funds are available. This means that the process of starting work to consider these initiatives could not commence until this formal MRA process (in accordance with Clause 8 of the MRA) has concluded. It should be noted that MRA Parties have already undergone two formal budget re-alignment exercises this year, driven specifically by changes under the Green Deal. The additional financial burden on MRA Parties (and ultimately therefore consumers) to manage these changes is not a trivial matter.

If Ofgem is minded to proceed with regard to these proposals for the MRA, MRASCo asks Ofgem to note that the proposed timeframe is difficult to achieve. Some aspects of these proposals will need consultation with a much wider range of stakeholders than has been hitherto the case for the MRA, i.e. with regard to the Green Deal Interested Parties and with regard to the Green Deal Panel under the Green Deal Arrangements Agreement. In particular, where changes are a 'Green Deal Matter' (GDM) as defined by Clause 1 of the MRA, changes cannot come into effect without the consent of the Secretary of State. This new term affects a number of MRA clauses and the DTC (where pursuant to such matters) which has resulted in a number of modified and new procedures to MRA processes as well as data flows to the DTC. Moreover, the MRA now stipulates that MEC is required to liaise with the Green Deal Arrangements Agreement (GDAA) Panel to ensure that changes with the GDAA are coordinated.

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Also for consideration is that Change Proposals that have a Green Deal impact will need to go through the GDAA Panel Secretary and will require written consent from the Secretary of State. This complicates change management practices such that MRASCo cannot be certain on timescales where SoS consent is required.

In conclusion, MRASCo suggests that an absolute minimum 9 months (potentially more if there are any contentious aspects) is required in order to allow for proper consultation with Stakeholders, the legal review work, as well as processing through the MRA's change management process. A summary MRA change timeline is included within this response (see Appendix C). On this basis, we would suggest that an implementation date July 2013 is unachievable.

MRASCo recommends that the adoption of the Phase 2 CGR proposals by the MRA should not take place at this juncture, at least, not until further consideration has been given to the impacts of such proposals and the timing of any changes. MRASCo has requested its service provider 'Gemserv' to maintain a dialogue with Ofgem to move this forward. For example, MRASCo could consult independently MRA Parties to examine these considerations to help inform on Ofgem's proposals and timetable.

Please do not hesitate to contact us if in the mean time we can provide any further information.

Yours sincerely

Handwritten signature of Alex Travell, consisting of the letters 'AGT' followed by a stylized flourish.

Alex Travell
Chair, MRA Executive Committee

APPENDIX A – Our Review Work

MRASCo is committed to following best practice and embraces a steady programme of continuous improvement philosophy with respect to the MRA. A Customer Satisfaction Survey is conducted annually and the outcomes of the survey are used to inform improvements to the effectiveness of the MRA.

In 2010, a review was undertaken by MRASCo with regard to Ofgem’s CACoP proposals. As a consequence of this review, MRASCo undertook voluntary steps to ensure that the MRA is aligned where beneficial; for example, the MRA and MRA Agreed Procedure (MAP06) were amended to explicitly refer to changes being progressed ‘with due regard to Ofgem’s Code Modification Urgency Criteria’. Where variations exist, these are considered critical for the effective operation and governance of the MRA as an independent code. Governance of the MRA is held in high regard, and its exemplary characteristics have led to components of the governance arrangements and ideas being exported to other initiatives. This work concluded that almost all of the code principles were already embedded within the MRA. See Table below:

Principle	MEC Position	MRA ALREADY ALIGNED?
1. Code Administrators will be critical friends.	MEC has found the role of critical friend to be very useful in assisting all MRA Parties.	YES
2. Documentation published by Code Administrators will be in clear English.	MEC would welcome the establishment of a cross-code group to provide an agreed and consistent glossary of industry terms.	In part, subject to need to retain technical considerations
3. Information will be promptly and publicly available to users.	MEC actively seeks feedback from users of its Products and website	YES
4. This Code of Practice will be reviewed periodically and subject to amendment by users.	MEC would prefer the amendment process to include input from other industry representatives with relevant experience of codes and agreements such as the MRA.	N/A
5. Code Administrators will support processes which enable users to access a ‘pre-Modification’ process to discuss and develop Modifications.	There are already robust MRA processes relating to issues and change assessment.	YES
6. A proposer of a Modification will retain ownership of the detail of their solution.	The proposer of a change should retain ownership of that change.	YES
7. Code Administrators will facilitate alternative solutions to issues being developed to the same degree as an original	The use of the Issue Resolution Expert Group (IREG), the SPF, and input from MRASCo’s service provider help to ensure that any practical alternatives are fully considered.	YES

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solution.		
8. Implementation cost estimates will be produced and consulted upon prior to a Modification being recommended for approval.	It may be appropriate to agree the desired change in principle and then obtain IT costs prior to a final decision being made on progression.	YES
9. Legal text will be produced and consulted upon prior to a Modification being recommended for approval.	Legal Text should be required only where this is appropriate (e.g. for DTC changes it may not be appropriate).	Legal text is drafted as and when required to support change modifications
10. Modifications will be consulted upon, be easily accessible to users and allowing proportionate time for responses.	Consultations will be open to all, not just direct code users.	In part – the MRA does not adopt a common process with other codes
11. There will be flexibility for implementation, to allow proportionate delivery time and realisation of benefits.	The MRA-defined change process ensures that all aspects of the impact of changes are fully considered. However, the Authority cannot instruct a modification to take place	MRA Change Process was modified in 2012 to give consideration to impact assessments and more flexible delivery dates. The process is currently under review again to accommodate Green Deal
12. The Code Administrators will annually report on Key Performance Indicators (KPIs).	MEC is not entirely aligned with the view that common KPIs across all codes are a workable solution	Not to Ofgem, albeit regular monthly performance reports are submitted to the MRA Executive

In 2011, a root and branch review of the MRA change management process was undertaken. The responses informed a number of enhancements to the governance and procedures supporting the MRA Change Process, including improvements to the communication of proposed changes and amending the timescales to allow sufficient time for parties to conduct impact assessments without unduly frustrating the pace of change. All respondents to the survey believed there was sufficient flexibility in the MRA Issues and Change processes.

During 2012, further changes were made to incorporate the change management interactions necessary to support the Government's Green Deal policy and Foundation stage for Smart Metering. More Green Deal related MRA change is expected from the Secretary of

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State very shortly and the level of ongoing system change in support of the Green Deal is expected to continue well into 2013 alongside evolutionary changes for Smart Metering.

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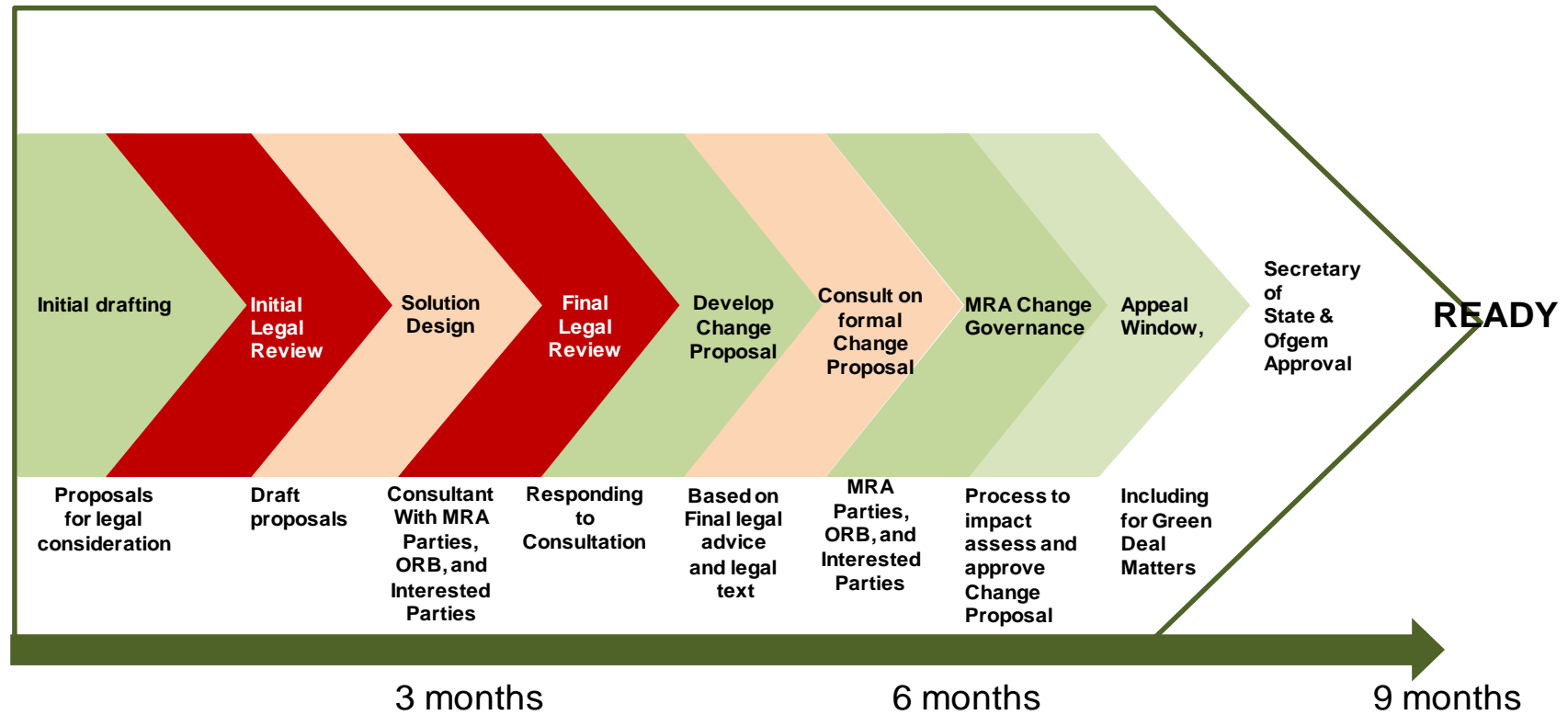
APPENDIX B – Cost Breakdown (Strictly Confidential)

These costs include third party costs and MRASCo's Service provider costs. They do not include costs associated with MRA Parties in supporting consultations, reviews and working group development activity.




CONFIDENTIAL INFORMATION REDACTED

MRA

APPENDIX C– MRA Change Process



Key

-  Drafting and Governance
-  Legal Activity
-  Formal Consultation