

To: Code Administrators, gas and electricity licensees and all other interested parties

Direct Dial: 0141 331 6007
Email: lesley.nugent@ofgem.gov.uk

Date: 26 February 2015

Dear Colleague,

Approval of changes to the Code Administration Code of Practice

The letter sets out our decision to approve changes to the Code Administration Code of Practice (CACoP).¹

Background

The CACoP aims to facilitate convergence and transparency in code modification processes. It is also intended to help protect the interests of small market participants and consumers through the adoption of key code administration principles. It was developed by industry as part of our Code Governance Review (CGR)² and initially applied to three industry codes.³ Following Phase Two of our CGR it applies to a total of eleven industry codes.⁴ The Code Administrators (CAs) are required to follow the Principles contained in CACoP, including Principle 4 which sets out that CACoP will be reviewed periodically and subject to amendment.

The relevant gas and electricity licence conditions⁵ require that changes to the CACoP must be approved by Ofgem.⁶

The proposed changes

Elxon, on behalf of the CAs, submitted a report⁷ to us on 29 January 2015. The report recommends changes to CACoP and requests our approval for the changes to be made.

¹ <https://www.ofgem.gov.uk/licences-codes-and-standards/codes/industry-codes-work/code-administration-code-practice-cacop>

² Details regarding Ofgem's CGR or CGR2 can be found here: <https://www.ofgem.gov.uk/licences-codes-and-standards/codes/industry-codes-work/code-governance-review>

³ Balancing and Settlement Code, Uniform Network Code and the Connection and Use of System Code.

⁴ Distribution Code, Distribution Connection and Use of System Agreement, Grid Code, Independent Gas Transporters UNC, Master Registration Agreement, SO-TO Code, Supply Point Administration Agreement. It also applies to the Smart Energy Code following designation by the Government.

⁵ Standard conditions 21, 22 and 23 of the electricity distribution licence, standard conditions B12, C3, C10 and C14 of the transmission licence, standard condition 30 of the gas supply licence, standard condition 9 of the transporters licence, standard special condition (gas) A11, and condition C7 of the Smart Energy Code.

⁶ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

⁷ https://www.elxon.co.uk/wp-content/uploads/2013/12/231_08b_Attachment_B_CACoP_Annual_Review_2014_Minutes.pdf

The recommendations follow the annual review process the CA's have developed to, among other things, seek users' views on changes to the CACoP. On 6 October 2014 the CAs met to discuss responses from users and cross-code administration matters. The proposed changes were discussed at industry code Panels.

The proposed changes amend Principle 12 to refer to a requirement for the CAs to report annually on agreed "metrics" rather than "KPIs" and include a reporting requirement on the number of Fast-Track Self Governance modifications raised. Principle 5, which relates to pre-modification processes to enable users to discuss and develop modifications, is updated to include a provision for equal opportunity for interested parties to apply for Workgroup membership, where possible. Principle 9 is amended to exempt Fast-Track Self-Governance modifications from the requirement for legal text to be produced and consulted upon. There are also a number of housekeeping amendments and updates to the format of the CACoP.

Our decision

We are satisfied that the changes that have been proposed are appropriate. We note none of the changes are material and are aimed at clarifying the CACoP and making minor improvements to make existing processes more efficient and transparent. The changes also include a new reporting requirement at Principle 12 to include Fast-Track Self Governance modifications ensuring consistency on how each of the CAs report on these type of changes.

In accordance with Principle 4 of the CACoP and the relevant licence conditions, we approve all changes to the CACoP that have been proposed in the report submitted to us on 29 January 2015. The revised version is published on our website here:

<https://www.ofgem.gov.uk/licences-codes-and-standards/codes/industry-codes-work/code-administration-code-practice-cacop>.

Other issues

We note that a further proposed change has been raised by Elexon, seeking to introduce a new principle into the CACoP. The proposed new principle would require the CAs to ensure cross code coordination where modifications impact multiple codes.

We have previously requested that the industry consider how to manage interactions between industry codes more effectively where appropriate. We invited parties to present their proposals to us on how this could be achieved.⁸ We therefore welcome that this is being considered. We encourage the CAs to engage in discussions on this proposal and to ensure appropriate engagement and consultation with Panels and users.

Yours faithfully,

Lesley Nugent

Head of Industry Codes and Licensing

Signed on behalf of the Authority and authorised for that purpose

⁸ <https://www.ofgem.gov.uk/ofgem-publications/85909/letteronindustryroleinsupportingdelivertofsmartmeteringbenefits.pdf>