



Making a positive difference
for energy consumers

All holders of an electricity distribution licence, MRA parties, Gemserv and other interested parties

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Dear colleagues,

Statutory consultation on a proposed licence modification to set applicable Master Registration Agreement (MRA) Objectives

Following an initial consultation published on 14 November 2014¹ we² propose to modify the standard conditions of the electricity distribution licence. A statutory consultation notice is published alongside this letter.

Background

We are proposing changes to the electricity distribution licence to insert six applicable MRA Objectives (“objectives”) into standard licence condition (SLC) 23, ‘Master Registration Agreement’. These objectives aim to reflect the core purpose and requirements of the MRA.

We consider that requiring all electricity distribution licence holders to ensure that the MRA remains designed to facilitate the achievement of the stated objectives will improve the assessment of changes to the MRA and the MRA decision-making process. The aim of this proposal is to:

- ensure clearer and more consistent analysis of MRA modification proposals;
- implement a more transparent basis for decisions and recommendations on MRA change proposals;³ and
- bring the MRA in line with existing modification arrangements in other industry codes.

We also propose to make consequential amendments to the SLC 23 provisions relating to reporting requirements and self-governance appeal rights that were introduced as part of Code Governance Review 2.⁴ These provisions will be updated to reflect the introduction of the objectives.

Initial consultation responses

We received seven responses to our initial consultation.⁵

¹ <https://www.ofgem.gov.uk/publications-and-updates/consultation-proposed-licence-modification-set-objectives-master-registration-agreement>

² References to the “Authority”, “Ofgem”, “we” and “our” are used interchangeably in this document

³ We first considered this under the second phase of Ofgem’s ‘Code Governance Review’.

<https://www.ofgem.gov.uk/ofgem-publications/61155/code-governance-review-phase-2.pdf>

⁴ <https://www.ofgem.gov.uk/publications-and-updates/modification-gas-and-electricity-licences-implement-code-governance-review-phase-2-final-proposals>

⁵ Responses available at: <https://www.ofgem.gov.uk/publications-and-updates/consultation-proposed-licence-modification-set-objectives-master-registration-agreement>

Question 1: Do you agree with the drafting of the proposed objectives in Appendix 1?

All respondents supported our proposal for MRA objectives. A number commented that they would improve transparency in the MRA processes and alignment with other industry codes. One also commented that the changes will improve the rationale for implementing change.

Question 2: Do you agree with the proposed changes to the decision-making, reporting and appeal provisions?

Six respondents answered this question and agreed with the proposal.

Question 3: Do you agree with the proposed deletions of SLCs 23.3(f) and 23.4, given that these matters will be covered by the new objectives?

Most respondents agreed with the deletions. One respondent thought that although the new objectives offered more clarity than the deleted conditions, they expressed some concern that the new objectives only take account of systems and processes relating to Change of Supplier. We have carefully considered this comment and recognise that while there may be some repetition between SLC 23.3(f) and proposed SLC 23.3A (a) and (b), we agree that SLC 23.3(f) should be retained to avoid any potential unintended consequences from its deletion. We have therefore updated the proposed licence modification text.

Question 4: Do you think it is necessary to have a specific objective (SLC 23.3A (f)) covering the MRA interactions with the Green Deal?⁶ If so, do you agree with the proposed drafting of SLC 23.3A (f)? If not, how could these interactions be accounted for under the other proposed objectives?

Six respondents answered this question. Four supported the inclusion of the objective, and two felt either that it wasn't entirely necessary (but had no substantive objection) or were unconvinced of the need to include a Green Deal related objective.

Those in support commented that this objective covers obligations not relevant to MRA objectives (a) to (e). One respondent thought that it would assist with changes to the MRA resulting from revisions to the Green Deal Arrangement Agreement.⁷

The respondents who thought it unnecessary, or were unconvinced, commented that they couldn't identify any potential Green Deal-related changes that were not already covered by at least one of the other new objectives.

We have considered these comments and remain of the view that although Green Deal-related changes might often be relevant to the requirements of objectives (a) to (e), it is nonetheless helpful to acknowledge the MRA's interactions with the Green Deal processes. The proposed licence drafting clarifies that the Green Deal objective is subordinate to the preceding objectives, which we consider to be appropriate.

Question 5: Do you have any other suggestions for the drafting?

Respondents identified two further issues. The first related to a reference in standard condition 1 of the electricity supply licence⁸ where the MRA is defined as "the agreement of that name referred to and providing for such matters as are set out in standard condition 37 (Metering Point Administration Service and the Master Registration Agreement) of the

⁶ Green Deal is a framework to enable private firms to offer consumers energy efficiency improvements to their homes, community spaces and businesses without upfront cost. They can then recoup payments through a charge in instalments on the energy bill. Green Deal was introduced by DECC in 2013.

⁷ <http://qdorb.decc.gov.uk/qdaa>

⁸ <https://epr.ofgem.gov.uk/Content/Documents/Electricity%20Supply%20Standard%20Licence%20Conditions%20Consolidated%20-%20Current%20Version.pdf>

Distribution Licence". The respondent considered that reference should be updated to refer to SLC 23. We agree that this is an outdated cross-reference and propose that this be addressed in due course in a separate housekeeping amendment to the electricity supply licence conditions.

The second highlighted that the 'Central Charge Database' was incorrectly referred to as the 'Central Change Database' in paragraph 23.3(c) of the proposed licence modification text. This was a typographical error in the consultation drafting.

We have also decided to refer to the objectives as the 'Applicable MRA Objectives' in the standard licence condition. This is in line with existing licence wording in respect of other industry codes.

Next steps

Alongside this letter we have published a statutory notice of the proposed licence modification. The proposed licence drafting has been updated since our initial consultation in light of the consultation responses and can be found in Appendix 1 of the notice. Representations to the proposed modification should be made in writing by 27 March 2015.

If you have any queries regarding the information contained within this letter or the notice please contact raymond.elliott@ofgem.gov.uk.

Yours faithfully,

Lesley Nugent
Head of Industry Codes and Licensing