

Dear Maxine,

**Re. Ofgem's "Further review of industry code governance" letter dated 15 May 2015**

ElectraLink plays a central role in the delivery of energy industry code governance arrangements and as such we welcome the opportunity to respond to Ofgem's "Further review of industry code governance" letter dated 15 May 2015 and have set out our thoughts on the key matters relevant to us below. Please note that the views expressed in this letter are those of ElectraLink Ltd and not those of the governing Panels of the main codes<sup>1</sup> that we support.

**Self Governance**

Both SPAA and DCUSA have contained provisions for a self-governance modifications process since their inception. These processes are well understood and practiced. In 2014 59% of SPAA Change Proposals and 21% of DCUSA Change Proposals were categorised as self-governance. The lower number on DCUSA reflects that 52% of the DCUSA Change Proposals raised in the year related to the Charging Methodologies for which all changes require Authority determination.

We consider that the introduction of self governance has given parties the opportunity for greater control over the codes and generally allows for a more streamlined progression of changes, particularly those straightforward in nature or where there is common consensus across parties.

**Code Administration**

**CACoP**

ElectraLink Ltd acts in accordance with the Code Administrator Code of Practice (CACoP). We have found the CACoP to be a useful tool in promoting consistency across the industry codes.

Through our involvement in the CACoP Working Group, we have observed that there may be opportunity to streamline the process for managing changes to the document. The development of Principle 13 has been ongoing for a number of months and been through a number of iterations. In each instance the drafting has been issued out by each Code Administrator to each Code Panel for review, consultation and comment and meetings have been convened to review responses. Given the relatively straightforward nature of the proposal and that there seems to be general consensus on the intent of the Principle, we believe it is worth looking to see if changes can be effected more efficiently going forward.

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<sup>1</sup> SPAA and DCUSA

We welcome the work that has been done, particularly through the CACoP, to engage with Small Suppliers thus far but consider that more could potentially be done under the CACoP to offer support to smaller parties.

At ElectraLink we have sought to take additional steps to engage with Small Suppliers including:

- We provide training on the DCUSA and SPAA arrangements which is free at the point of delivery to all Code members (the costs of these sessions are borne by DCUSA Ltd and SPAA Ltd).
- At the start of each DCUSA Panel meeting an update is given on the progress of open DCUSA CPs. All DCUSA Parties receive an invitation to dial into this session, which provides an opportunity to receive a brief update and to ask questions about the CPs.
- We offer web-conferences facilities, which enable those without the time to spare to travel to London to attend and participate in working group meetings.

We do find that Small Suppliers have limited engagement with the Codes and we would be supportive of efforts to further develop the CACoP to better assist them. We believe that Small Suppliers are best placed to advise on how best they can be supported and that Ofgem's industry code governance review is an ideal forum through which to do this. One possibility that could be put to Small Suppliers is to require the production of a newsletter for each industry code summarising items of interest in a way that is brief and easy to digest. Alternatively, there are a number of Small Supplier forums that may benefit from having Code representatives in attendance to share information on changes being progressed.

#### Proactive Management of the Change Process

We note that one suggestion put forward in Ofgem's letter is that there could be more proactive industry management of the change process, for example, by providing a forward work plan for the year to enable more efficient planning and allocating of resources.

This is an activity that has, in part, recently been implemented in the DCUSA via DCP 210 'The Assessment timetable'. In accordance with this CP, each DCUSA Working Group prepares a comprehensive work plan setting out the steps required to progress the CP and the planned timescales. We have found these work plans to be a useful tool in providing a forward view of expected work load and it enables working group members to plan their time and work load. Although it should be noted that unexpected events (such as identifying and issue with the proposed solution that requires further consideration) can impact on the work plans.

Ofgem's suggestion that a forward work plan for the year be produced which incorporates all activity under the Code is an interesting proposal. We note that the primary intent of this would be to help smaller parties determine how best to use their resources for code engagement. Prior to progressing such a change, we



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would urge Ofgem to contact small suppliers to ascertain whether this suggestion would assist them, or whether there are other root causes that limit their participation in the industry codes which the provision of a forward work plan for the year for each Code would not address.

We would also like to highlight that we already operate a 'change window' for the DCUSA charging methodologies where changes can only be implemented on 1 April each year. This creates a peak in work load when the cut off point for inclusion in the next charging year is approaching which undoubtedly has an impact on all parties' resources, including that of the Code Administrator. Having a forward work plan that encompasses all changes may be beneficial in bringing these work load peaks to the attention of industry parties when planning their resources; for example, it could highlight where a significant number of charging methodology change reports are due to be issued over a relatively short period, but it should be recognised that limiting work to certain times could result in concentration of activities at certain times and may also provide challenges for parties to manage.

#### Provision of Independent Chairs

With regards to Ofgem's suggestion that there may be merit in requiring that all work groups have an independent chair, we would like to highlight that feedback received through ElectraLink's annual customer surveys has been supportive of their being an independent chair.

There are a number of benefits in having an independent chair including:

- It indicates a clear separation of interests
- It will allow working group members to focus on decision making and thus enhance the efficiency of the change process
- An independent Chair has the ability mediate conflicts of interest and ensure all members are able to represent their views equally

We note one benefit of having an independent chair identified by Ofgem in its letter is that the independent chair may help support smaller party representation. We would like to caution that where there are no Small Suppliers engaging in the progression of a CP, then any attempt that the independent chair makes to represent smaller parties in their absence would be based on an assumption of their requirements and thoughts.

#### Governance of Charging Methodologies

In our role of providing Governance Services to the DCUSA, we have seen the incorporation of the following charging methodologies into DCUSA:

- The Common Distribution Charging Methodology



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- The EHV Distributions Charging Methodology
- The Common Connection Charging Methodology

Since the incorporation of these methodologies, we have seen over 70 Charging Methodology Change Proposals complete the DCUSA Change process, whilst a further 20 are still in progress.

We support Ofgem's view that the inclusion of charging methodologies within the governance of industry codes has been successful in enabling more parties to engage on charging methodology changes. The DCUSA provides an open governance framework through which any Party, or other interested person, can become involved in the development and progression of Charging Methodology Change Proposals.

We look forward to engaging further in this phase of the Code Governance Review and supporting Ofgem and industry parties in its outcomes.

Should you have any questions on this response please do not hesitate to contact me directly via email to [elizabeth.lawlor@electralink.co.uk](mailto:elizabeth.lawlor@electralink.co.uk).

Yours sincerely

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