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Dear Maxine

### **Further Review of Industry Code Governance**

Thank you for the opportunity to respond to Ofgem's Further Review of Industry Code Governance. This response is provided on behalf of National Grid Electricity Transmission plc (NGET) and National Grid Gas plc (NGG). NGET owns the electricity transmission system in England and Wales and is the National Electricity Transmission System Operator (NETSO). It is responsible for administering the electricity Connection and Use of System Code (CUSC), the Grid Code and the System Operator – Transmission Owner Code (STC). NGG owns and operates the Gas Transmission System and also owns and operates four of the gas Distribution Networks. In association with the three other gas Distribution Network Operators, NGG also jointly provides for the administration of the Uniform Network Code (UNC) Governance arrangements through the Joint Office of Gas Transporters (JO).

We have been active participants in Ofgem's two previous Code Governance Reviews (CGRs) and have raised multiple modification proposals across the electricity and gas industry codes to implement the conclusions of the CGRs. In our role as Code Administrator for three of the electricity codes, we have also established and maintained processes to support the CGR conclusions and strengthened our role as Critical Friend, using feedback from code parties and code users. This approach is also mirrored in how the JO supports the UNC processes.

We consider that the changes introduced under the CGRs have been largely successful in improving or clarifying the code governance arrangements. We note the ideas for further consideration outlined in the consultation and look forward to engaging with Ofgem and the industry in this post implementation review. We provide further detail in our response to the specific questions posed in Ofgem's open letter in the annex to this letter.

If you wish to discuss this further, or have any queries regarding this response, please contact me or Alex Thomason on 01926 656379. This response is not confidential and can be published.

Yours sincerely

[By e-mail]

**Mark Ripley**  
**Director, UK Regulation**

## **Annex: Response to Questions**

**Question 1: Do you consider the governance changes introduced under CGR and CGR2 have been effective in improving the code governance arrangements. In particular considering the efficiency and effectiveness of code change, the ability for large scale reform to be implemented, and the accessibility of the arrangements for smaller/newer industry participants and consumer representatives?**

We consider that the governance changes introduced have been effective in improving the code governance arrangements. Specifically, the introduction of self-governance arrangements into the CUSC and UNC have allowed for the Panels for those codes to determine on certain modification proposals. Although it took a while for the self-governance process to bed in, the Panels are now using this route on a regular basis.

In terms of accessibility, we consider that the changes introduced have gone some way to improving this for smaller/newer participants, noting that these parties often do not have as many resources available to them as some of the more established or larger parties. We also note that consumer representatives have one or more seats available to them on both the CUSC and the UNC Panels, as well as many of the other industry code Panels. In our role as Code Administrator, we would welcome suggestions for further ways to improve the service we offer in respect of accessibility of the codes to smaller or newer parties.

**Question 2: Do you agree that there is a need to consider further reforms to the industry code governance arrangements? If so, what issues do you consider should be addressed, and what possible solutions do you identify?**

We are mindful that the CMA is currently considering industry code governance under its Theory of Harm 5 (“the broader regulatory framework, including the current system of code governance, acts as a barrier to pro-competitive innovation and change”) and we await the CMA’s provisional findings which may provide some direction in this area.

We note that the Grid Code is currently considering the introduction of open governance through the GC0086 workgroup, including many elements of CGR, and we are facilitating this in our role as Code Administrator, in addition to actively participating in the workgroup as the Transmission Licensee.

In terms of issues to be addressed for the UNC, we consider that the UNC pre-modification issue development process could be revisited to ensure it is working as efficiently as possible in providing initial modifications that are ready to enter the modification process.

We recognise that there may be benefits to having more proactive industry management of the modification process, potentially through a forward work plan based on strategic priorities. However, any workplan set in advance would need to retain sufficient flexibility to deal with urgent modification proposals or mandatory changes, for example those required by EU legislation. We are also not clear on how agreement on prioritisation could be reached across the industry by consensus. We do not currently support implementing a change window for raising modification proposals, particularly for charging methodologies, as this would appear to restrict the ability of parties to raise changes and would reduce the timeframe available to industry parties to both raise and consider changes to codes, thereby making the process more inefficient. We would welcome further detail on Ofgem’s proposals in this area in order to better understand the potential impacts on the change process.

For the CUSC, we facilitate a process for industry parties to give their views on prioritisation of the issues that National Grid is considering in relation to the electricity Transmission Charging Methodologies, through the TCMF. There would be scope to extend this approach to wider CUSC changes once the proposed wider Standing Group is established. The newly established Grid Code Development Forum will also give industry parties an opportunity to give their views on relative prioritisation of technical issues to address.

**Question 3: In addition to a post implementation review of our CGR reforms and potential changes discussed in this letter, are there any other areas of industry code governance that should be considered in this review?**

We have not identified any other areas of governance to address at this point in time.