

Via email: industrycodes@ofgem.gov.uk

The Office of Gas and Electricity Markets
9 Millbank
London
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30th June 2015

Dear Maxine,

FURTHER REVIEW OF INDUSTRY CODE GOVERNANCE

Thank you for the opportunity to respond to your Open Letter (dated 15th May 2015). Our response to the issues, the specific questions raised in the Open Letter, and potential solutions, are set out in the attached response.

The energy market is undergoing unprecedented levels of reform, and it is the degree of transformation that is causing the greatest difficulty for organisations. This is evident, for example, by the submissions made to the Competition and Market Authority (CMA) Energy Markets Investigation and from feedback at the independent suppliers' day held by Gemserv in early June 2015. Many energy market participants (of all sizes) have advised they can struggle with the breadth and depth of energy market regulation and code governance, with limited resources and even less time to keep abreast of industry change.

Further to this, the business models of new participants within the energy market has changed (and continues to change). Often their needs are different to 'traditional' businesses, and they wish to interact with the markets they serve in different ways. Therefore market regulation and code governance is already adapting to meet the changing needs.

The Code Administration Code of Practice (CACoP) and ongoing Code Governance Reviews will not sufficiently address the core issues. A more strategic approach is required to provide the market with clarity and certainty of purpose going forward. There is an opportunity to establish a blueprint for codes and their strategic governance for years to come, in a manner that does not disrupt market transformational programmes already underway, and is commensurate with the resourcing capability of those that have to engage in code evolution.

Consequently, we make three recommendations:

1. Require that all codes meet four core objectives: consistency, simplification, accessibility and coordination;
2. Develop a Standard Code Model (SCM) to house the above objectives, and to provide the governance and blueprint for codes to follow; and
3. Establish a Strategic Body to administer the SCM with a remit to oversee strategic change and provide greater change coordination across the energy market.

We are continuing with our work to engage with our stakeholders to gather their views and thoughts on how to simplify and demystify codes. As part of this programme of work, we are looking forward to participating in Ofgem's code governance workshop in July, and it is likely that we will also hold a Forum on this topic following the workshop.

We trust the issues, solution, and way forward we have set out in the attached response helps inform your thinking. Once you have had time to consider our response, we will contact you to set up a meeting to expand on our thinking and to discuss how we can continue to support your work.

Yours sincerely



Tony Thornton
Head of Transformation