Making a positive difference
for energy consumers

Gas and electricity licensees,
industry participants, consumer
representatives, code panel
chairs, code administrators and
other interested parties

Email: industrycodes@ofgem.gov.uk

Date: 31 March 2016

Dear colleague,

Consultation on code administration reporting metrics and performance surveys

Today, we published our Code Governance Review (Phase 3) (CGR3) Final Proposals, setting out the further code governance reforms we have identified, aimed at ensuring the arrangements operate in the best interests of consumers.[1] In that document, we set out among other things our final proposals for how certain quantitative metrics related to the industry codes should be collected, collated and reported on by code administrators, and for how a qualitative survey in respect of the performance of the code administrators should be undertaken.

In our CGR3 Final Proposals, we set out that we were also consulting separately on some specific issues relating to the metrics and the surveys. This document sets out our current views on those issues. <u>We are seeking responses on the issues discussed in this consultation by 28 April 2016.</u>

On 17 March 2016 the Competition & Markets Authority (CMA) published its Provisional decision on remedies in respect of its Energy market investigation. One of the remedies proposed by the CMA is the licensing of the activities of the code administrators and code change delivery. The CMA's view is that this remedy seeks to ensure that code administrators' incentives are consistently aligned with those of energy customers and that the performance of the code administrators is monitored by us and improved over time. Our view is that the proposals we have put forward in our Final Proposals and are consulting on in this letter will help the code administrators to understand what their customers' requirements are and will play an important role in the development of the licensing regime.

Background

Code administrators must have regard to and where relevant be consistent with the principles of the Code Administration Code of Practice (CACoP).[2] The CACoP is aimed at aligning processes across the industry codes and capturing best practice in code administration.

Principle 12 of CACoP sets out that, in order to assess how effectively the code administrators are discharging the roles and responsibilities captured within the principles of CACoP and the effectiveness of the change management process more generally, the code administrators will report on a series of qualitative and quantitative metrics, which will

---

[1] https://www.ofgem.gov.uk/publications-and-updates/code-governance-review-phase-3-final-proposals
[2] https://www.ofgem.gov.uk/sites/default/files/docs/2015/08/proposed_cacop_v.4.0_clean_version_0.pdf

include the views of recipients of the service. The guidance on meeting the principle sets out that the code administrators may jointly or independently appoint a third party to undertake a customer survey. Currently, the code administrators take different approaches to reporting against the CACoP metrics, and run individual customer surveys for each code.

In our CGR3 Final Proposals, we set out that the quantitative metrics currently included in CACoP need to improve and require greater visibility if the results are to be helpful to the industry. We also concluded that a single body should lead a single qualitative survey. We set out that it would cut down on the number of surveys that parties need to complete and would also allow for direct comparisons when filling in the surveys.

The remainder of this document sets out and seeks your views on how these final proposals may be implemented.

Quantitative metrics

As noted above, in our CGR3 Final Proposals we set out that the CACoP quantitative metrics need to improve and require greater visibility if the results are to be helpful to the industry. We consider it necessary to amend CACoP to improve clarity of the reporting metrics and to ensure that all code administrators are reporting on the same data in the same manner. In order to achieve this, we consider that Ofgem should send out the same form to all code administrators for them to report their relevant data, which will then be published on our website.

We have, to date, had discussions with the code administrators in respect of the data that should be collected in this way. In Appendix 1 to this document, we have set out our current views of this data, following those discussions. We are keen to hear your views on whether reporting of this data will be useful, and if you have identified any other data that should be reported.

In Appendix 2 to this document we set out guidance seeking to ensure that the data provided is consistent across all code administrators. We expect that, following the outcome of this consultation, code administrators will submit to us their data for the first quarter of 2016 (as illustrated in Appendix 1). We will then expect results to be submitted by the end of the month following each quarter (i.e. submit data by the end of July for Q2, by the end of October for Q3, etc.).

Qualitative surveys

In our Final Proposals, we concluded that Ofgem should commission an independent third party to undertake a cross-code survey and that the final report should be published on the Ofgem website.

We note that the code administrators currently pay for their own surveys and, therefore, it is our 'minded-to' position that this should continue with them collectively paying for the single survey to be commissioned by Ofgem.

The questions that would make up the survey would be developed by an independent third party with experience in this type of work, supported by Ofgem. We would expect the survey to be undertaken via a series of web-based and telephone questionnaires.

Our view is that the cost of this survey would not be significant. We anticipate that it might be expected to be in the region of £50,000 to £100,000 (however this is purely an indicative cost, the actual cost will depend on the detailed scope and design of the survey). Initially, we would expect that this survey would be undertaken on an annual basis, with the first survey commencing in autumn 2016.

We consider that there are a number of ways that the payment for this survey could potentially be split between the code administrators. For example:

- Option 1: The total cost of the survey could be split equally between the administrators of the 11 codes that are listed in the CACoP (BSC, CUSC, Grid Code, STC, Distribution Code, DCUSA, SPAA, iGT UNC, MRA, SEC, UNC);

- Option 2: The total cost of the survey could be split equally between the six organisations that undertake a code administration function (Elexon, NGET, ENA, Electralink, Gemserv, Joint Office);

- Option 3: The total cost of the survey could be split between the organisations that undertake the code administration function for the 'main' commercial codes or the codes that capture the widest range of industry participants (e.g. BSC, CUSC, UNC and/or SEC);

- Option 4: The total cost of the survey could be split in such a way that each code administrator pays an amount in proportion to its current spending on the survey it independently undertakes; and

- Option 5: The total cost of the survey could be split in such a way that each code administrator pays an amount in proportion to its current overall budget in respect of its code administration function.

As set out above, our minded-to position is that the code administrators should continue to bear the costs of the survey. We do not currently have a view on which, if any, of the potential options for splitting the costs may be the most appropriate. We welcome your views on this, and any other options you have identified.

Views invited

We welcome views on the quantitative reporting metrics we have proposed and the options for splitting the cost of the survey, in particular:

1. Do you agree that the metrics set out in Appendix 1 will provide a useful set of data?
2. Are there any other data that you consider should be reported on by the code administrators?
3. Is there any additional guidance that is required such that the data provided is consistent across all code administrators?
4. Do you think there are any reasons why the code administrators should not continue to pay for the survey?
5. Which of the options set out in this document do you consider is the most appropriate way to fund the independent survey between the code administrators?
6. Are there any alternatives to the options set out in this document of dividing the costs between the code administrators that you would favour?

Responses to this consultation should be received by 28 April 2016 and should be sent to:

Marion Quinn
Industry Codes & Licensing
Ofgem
9 Millbank
London SW1P 3GE
industrycodes@ofgem.gov.uk

We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so that they can be placed easily on our website.

Next steps

We will take into account the responses to this consultation to determine the final set of quantitative metrics to be set out in an amended CACoP.[3] We expect the agreed final data set will be collected from the code administrators, for the period covering the first quarter of this year. We will also take into account the responses to determine how the independent qualitative survey will be funded. Subject to responses to this consultation, we currently expect to make our decision by summer 2016.

Yours faithfully,

Lesley Nugent
Head of Industry Codes and Licensing

---

[3] In accordance with the relevant licence conditions, any amendments to the CACoP must be approved by Ofgem.

Appendix 1 – Proposed quantitative metrics to be captured from code administrators

GENERAL

1	Number of modifications raised in the period January 01 to March 31: (Any modifications with alternates should just be counted as 1)	Authority Consent	
		Authority Consent - Urgent	
		Self-governance	
		Fast Track self-governance	

				Alternates
2	Number of modifications submitted to the Authority for decision in the period January 01 to March 31 (include the number of alternates submitted in the second box)	Non-urgent		
		Urgent		

| 3 | Number of final industry decisions on modifications in the period January 01 to March 31 (include the number of alternates submitted in the second box): | Self-governance | | |
| | | Fast Track self-governance | | |

| 4 | Number of reports 'sent back' by the Authority in the period January 01 to March 31 (include the number of alternates submitted in the second box): | Non-urgent | | |
| | | Urgent | | |

CONSULTATION

5	Number of consultations which closed in the period January 01 to March 31 for the following types of modification (this includes any consultation raised at any point during the modification cycle):	Authority Consent	
		Authority Consent - Urgent	
		Self-governance	
		Fast Track self-governance	

6	Number of consultations to **_non-urgent_** modifications, which closed in the period January 01 to March 31, that had a consultation period of <u>less than 15 business days</u>	Authority Consent	
		Self-governance	
		Fast Track self-governance	

7	Number of consultations to ***urgent*** modifications, which closed in the period January 01 to March 31, that had a consultation period of <u>less than 5 business days</u>	Authority Consent - Urgent	
		Self-governance - Urgent	

8	Number of modifications which had their final vote in the period January 01 to March 31, for which legal text <u>was not</u> available in the final consultation	Authority Consent	
		Authority Consent - Urgent	
		Self-governance	
		Fast Track self-governance	

ENGAGEMENT

9	Number of new parties who have acceded to the code in the period January 01 to March 31:	

10	Number of times assistance was requested with access and engagement to the code and the modification process in the period January 01 to March 31:	

11	Number of respondents to Authority Consent modification consultations which closed in the period January 01 to March 31 (this includes any consultation raised at any point during the modification cycle):	Minimum	
		Mean	
		Median	
		Maximum	

12	Number of respondents to Self-governance modification consultations which closed in the period January 01 to March 31 (this includes any consultation raised at any point during the modification cycle):	Minimum	
		Mean	
		Median	
		Maximum	

COSTS

13	Number of modifications which had their final vote in the period January 01 to March 31, for which an estimation of the implementation costs <u>was not</u> available in the final consultation	Authority Consent	
		Authority Consent - Urgent	
		Self-governance	
		Self-governance - Urgent	
		Fast Track self-governance	

14	Number of modifications, implemented in January 01 to March 31, where the central system and code costs were more or less than that advised prior to the final industry vote:	Greater than or equal to 10% **_MORE_** than the advised implementation cost	
		Greater than or equal to 10% **_LESS_** than the advised implementation cost	

Appendix 2 – Guidance for completion of the quantitative metrics

This appendix sets out the necessary guidance for code administrators to complete certain questions on the CACoP Data Metrics. It should also assist interested parties in understanding the CACoP Data Metrics. The aim of this guidance is to ensure that all data is collected in a consistent manner from all code administrators.

Question 1

This question aims to find out the number of new modifications to the main code document that have been raised in the relevant period. Some codes will call these 'modifications', others 'change proposals'. As a guide, these figures DO include draft modifications that are raised in SPAA as these are put into the modification process at this stage (but should not be double counted once they have moved out of the draft stage). They do NOT include the BSC change proposals that are raised to amend code subsidiary documents and central systems that sit beneath the code.

We do expect that all new code modifications should have a recommendation as to whether they are self-governance, authority consent, etc. Even if this changes later on in the process we expect the proposer, possibly with help from the code administrator, to have given this some thought and made a recommendation.

Question 3

This question only looks to gather data on the final panel vote on whether to approve or reject a modification. It does not include minded-to decisions made earlier in the process. It does not include multiple counting for all decisions made on a final modification report (e.g. if the panel votes to approve the modification, implementation date, and the implementation method, this counts as one vote - even if there is a mix of approve and reject).

Questions 5

This includes any consultation raised by workgroups for a specific modification as well as any consultation raised following a panel meeting.

Question 10

This question aims to find out how many times code administrators are asked for help. This is not just restricted to parties to the code.