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By Email

Dear Marion,

Code Governance Review (Phase. 3): Consultation on Code Administration Reporting Metrics and Performance Surveys

Thank you for the opportunity to respond to your final proposals for Phase. 3 of the Code Governance Review (CGR), specifically in relation to the proposed code administration reporting metrics and performance surveys.

Our response has been structured around each of the questions raised in Ofgem's letter of 31 March 2016¹ with the purpose of assisting ease of reference when comparing responses from other industry participants.

1. Do you agree that the metrics set out in Appendix 1 will provide a useful set of data?

We support the collection and monitoring of quantitative measures, and consider that metrics such as numbers 1, 2 and 3, will demonstrate the relative level of dynamic change between the codes.

2. Are there any other data that you consider should be reported on by the code administrators?

We would suggest a metric to establish the frequency with which modifications progress according to their originally intended timescales, including a categorization of how many, and why, extensions have been granted. This would demonstrate the accuracy to which development timescales are estimated which would assist the industry in the forward work planning initiative also discussed under CGR3, and would also assist the industry in identifying and addressing any commonly occurring themes which typically result in protracted timescales.

¹https://www.ofgem.gov.uk/system/files/docs/2016/03/code_governance_review_phase_3_final_proposals_consultation_on_surveys_and_metrics.pdf

We would also suggest that for all metrics within the 'General' (with the exception of 1) and 'Consultation' categories, the results are expressed both in numerical and percentage terms. The former will enable cross-code comparisons, while the latter will provide a proportionate view. The percentage will be measured by comparing the absolute number of modifications satisfying the metric requirement, in comparison to all modifications which are live at the end of the reporting period.

3. Is there any additional guidance that is required such that the data provided is consistent across all code administrators?

We would welcome additional guidance to explicitly state what each metric is intended to demonstrate, and especially whether the metric is designed to measure the performance of a particular party, or the code modification process as a whole. This would ensure that all parties interpret the results both consistently and also in the manner in which they are intended.

4. Do you think there are any reasons why the code administrators should not continue to pay for the survey?

No, these are the prevailing arrangements and we are comfortable that they continue.

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?

We have reservations regarding the estimated indicative cost of £50,000 - £100,000 per annum, as this is significantly higher than we would have expected, based on an approximate scaling-up of the survey activities and costs currently undertaken by the Joint Office of Gas Transporters. Whilst we appreciate that this is indicative only at this stage, we would welcome thorough consideration and visibility of an appropriate scope and design of the survey arrangements, in advance of their commissioning.

Of the proposed options, it should be noted that numbers 4 and 5 are difficult to conclusively consider as they involve a dependency upon unknown information, namely the relative costs which all code administrators currently incur on their survey activities. However, they both serve as options to maintain the current balance of proportionate funding into the new arrangements, and therefore based on an understanding of the activities taken in relation to the Uniform Network Code (UNC) by the Joint Office, we would support 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' with 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 a possible second place. As above, in advance of a formal decision on the funding arrangements, we would welcome full visibility of the relevant information.

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?

Not at this time, although we would add that disclosure of the activities and relative costs incurred by all code administrators in their survey activities may give rise to alternative suggestions, in addition to assisting in the selection of the most appropriate option.

Should you require any further information with regards to our response then please do not hesitate to contact me at paul.mitchell@sgn.co.uk .

Yours sincerely,

Paul Mitchell
Regulation Manager