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Marion Quinn
Industry Codes & Licensing
Ofgem
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7 June 2016

Dear Marion,

**British Gas response to Ofgem's Code Governance Review (Phase 3) Final Proposals
– Statutory Consultation on licence modifications**

Thank you for the opportunity to respond to Ofgem's above consultation.

We consider that the proposed changes to licence conditions achieve the policy proposals. However, as stated in our response of 5 May 2016 to the illustrative licence drafting consultation, we continue to have concerns with the draft updated SCR guidance document which was issued on 31 March 2016 but has not yet been reissued. Our concerns are repeated in the Appendix.

It would have been beneficial for parties to consider the licence changes alongside a further updated guidance document, enabling complete oversight of the revised arrangements. We would welcome the opportunity to review and comment upon the revised guidance at the earliest opportunity and look forward to its publication.

Ofgem state in this consultation that it is not appropriate to set out in the licence conditions the criteria Ofgem would use to determine the options for the SCR. If Ofgem is not minded to set out the criteria in the licence, we would like the licence conditions to include a term obliging the Authority: a) to issue guidance and b) to consult on that guidance (and on any subsequent revisions to that guidance) before the licence condition comes into effect.

Please do not hesitate to contact me if you require any further detail on our response.

Yours sincerely,

Graham Wood
Regulatory Manager

Comments previously provided by British Gas on the updated draft SCR guidance document published on 31 March 2016.

- The updated draft SCR guidance document states that Ofgem would expect to consult on which of the three SCR options would be followed prior to launching an SCR. Whilst the guidance includes criteria that Ofgem would expect to consider, it is unclear what specific circumstances might influence Ofgem to opt to lead the process end-to-end. Further clarity within the updated guidance would be welcome. In particular, we would like the guidance to make clear that the new options will only be chosen if there are complex, cross code changes required. It would also be helpful if the guidance also clearly referenced the right to appeal to the CMA regardless of which of the SCR routes are followed.
- We believe that the structure of the updated guidance document is not as helpful as the existing version, which currently enables the user of the guidance to obtain a clear understanding of the process and answers their potential questions. In particular, given the current SCR process will be retained, we do not understand why the guidance has been re-written for that process. With the introduction of additional process options, we would expect the existing guidance to be extended to explain any differences to approach across the three options. We note that large parts of the existing guidance have been removed from the updated version which, in our opinion, is not necessary or helpful and should be retained.
- Detail of how any alternative modification proposals raised will be treated under each of the three process options has not been included and requires clarification. Reference to conducting an impact assessment during the SCR process has been reworded and removed from the main text and added as a footnote. We request that the guidance provides express confirmation that the requirement for an impact assessment during the SCR process is retained.
- The progression of robust impact assessments is an essential part of the SCR process and should therefore be included within the guidance. Indeed, some SCRs may require numerous IAs to be undertaken; for instance we would expect individual IAs to be undertaken for various elements of the current Faster and More Reliable Switching SCR. The process for conducting IAs should also be explained.
- It is unclear from the updated guidance how or if any alternative modification proposals can be raised and progressed under an Ofgem-led end to end process. Any party that may wish to propose an alternative solution will require clarity as to how their proposal would be progressed under a process where Ofgem are leading the development of the original proposal and legal text. Please could Ofgem expressly confirm that this ability remains.