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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: 9 June 2016

Dear colleague,

Next steps on new code administration reporting metrics and performance surveys

On 31 March 2016, 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

Alongside our CGR3 Final Proposals, we consulted separately on some specific issues relating to code administration reporting metrics and performance surveys.² We received 17 responses to that consultation; these are available on our website.³ In general, respondents were supportive of the code administrators reporting on the metrics we proposed and for Ofgem to appoint a third party to undertake a single, cross-code performance survey.

Below we set out our comments on the specific points raised in the responses we received together with next steps on implementing the new code administration reporting metrics and survey.

Quantitative metrics

The code administrators must have regard to, and where relevant be consistent with, the principles of the Code Administration Code of Practice (CACoP). This includes Principle 12, which sets out a number of metrics that the code administrators report against in order to assess how they are discharging their responsibilities and the effectiveness of the change management process more generally.

In our CGR3 Final Proposals and accompanying consultation, 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 considered 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 considered 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.

¹ <https://www.ofgem.gov.uk/publications-and-updates/code-governance-review-phase-3-final-proposals>

² https://www.ofgem.gov.uk/system/files/docs/2016/03/code_governance_review_phase_3_final_proposals_consultation_on_surveys_and_metrics.pdf

³ <https://www.ofgem.gov.uk/publications-and-updates/code-governance-review-phase-3-final-proposals-consultation-code-administration-reporting-metrics-and-performance-surveys>

Responses to our consultation and our views

The majority of respondents that commented agreed that the metrics we proposed would provide a useful set of data.

While some respondents considered the metrics were a fair reflection of the overall process, several commented that not all of the metrics related to the role of the code administrators, and therefore did not reflect the effectiveness of the code administrators. We recognise that not all metrics relate to the role of code administrators across all codes, but we consider that code administrators are well positioned to obtain the necessary information to be provided. We consider that this set of metrics together with the output from the survey should provide an overall view of the code governance process.

Some respondents commented that there was a need to ensure all impacted parties had a common understanding of the metrics and that the metrics were viewed in the context of each code. There were a number of areas that respondents considered further clarity and guidance was required in order that all code administrators would respond in the same manner to the metrics.

We agree that the metrics need to be provided based on a common understanding of their meaning, we have therefore updated the guidance that we provided. This guidance now contains information on every question in order to assist both code administrators and interested parties to understand the information and for the responses to be completed taking into account the same information. Following receipt of the completed metrics from each code administrator we will publish a consolidated spreadsheet containing the data, which will enable all interested parties to view the information.

A number of respondents provided comments on specific questions. These included: the need for some questions to be reported in both nominal and percentage terms; that the type of modification should be split between category (e.g. governance, credit, metering, pricing, housekeeping); the way that alternates should be counted; and how costs should be defined. Several respondents also suggested a number of additional questions. These included: how many proposals were approved/rejected/withdrawn; the number of modifications that have no central systems costs; the length of time that modifications take and why the time was longer than expected; the number of meetings held; a measure of how many issues discussed in pre-modification groups become modification proposals; and a measure of how much information is sent out by the code administrator.

We welcome the number of suggestions in respect of the clarification on the specific questions we included and also in respect of additional questions. We have considered all the responses we received and amended a number of the questions, including in respect of the treatment of alternates and the definition of system costs, as well as including three additional questions.

In respect of reporting in both nominal and percentage terms, where it would be appropriate to do so, in order to see the context of the specific question, we have added an additional question such that the context is apparent.⁴ Whilst we recognise that it may be helpful to split the modifications between categories, we consider that it would be difficult to allocate all modification proposals on a consistent basis, and the number of categories required across all codes is likely to be significant.

We have included additional questions in respect of the number of modification proposals that are withdrawn, as we consider that this is reflective of the volume of modification proposals being considered. We have also added a question in respect of the number of modification proposals that have been implemented that have no central system costs. We have not included any additional questions in respect of the length of time taken by

⁴ For example, in respect of understanding the context for when system costs were more or less than that advised prior to the final industry vote, we have included a question on the total number of modifications implemented.

modifications or the reason for the delay. Whilst we recognise that this is an issue for a number of market participants, we consider that this information and the concerns surrounding it would be better captured under the performance survey. We also consider that questions relating to the amount of information published, the timing of the publication of information, the development of modification proposals in pre-modification groups; and the number of meetings held,⁵ would be best captured in the performance survey.

One respondent noted that the CACoP would need to be changed and that any guidance accompanying the metrics could be added as an appendix to the CACoP. We agree that the CACoP needs to be changed. We understand that code administrators will discuss proposed changes with their Panels, and will jointly agree a recommended change for our approval. We do not consider that the guidance should be added as an appendix to CACoP, as this may require amending over time, as experience is gained with completing the metrics. However, we will publish the guidance on the Ofgem website, alongside the consolidated data we receive from the code administrators.

One respondent considered that the metrics should be reviewed over time. We agree that it may be appropriate to review the metrics, once some experience has been gained in the reporting of this initial set. We expect the code administrators to keep these metrics under review.

Next steps

As discussed above, we have amended both the metrics (see appendix 1) and the guidance (see appendix 2) based on the responses we received to the consultation. We expect code administrators to recommend an appropriate change to CACoP, to reflect these changes.

We will now be writing to the code administrators requesting them to provide the completed metrics for the period 1 January to 31 March 2016.⁶ Following receipt of the completed information, we will publish a consolidated version on the Ofgem website. We will then be writing to each of the code administrators at the end of each quarter requesting the completion of the metrics for that quarter.⁷

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. In our accompanying consultation, we noted that the code administrators currently pay for their own surveys and, therefore, it was our 'minded-to' position that this should continue with them collectively paying for the single survey to be commissioned by Ofgem. In our consultation we set out five different options for how the payment for the survey could be split between the code administrators.

Responses to our consultation and our views

Of those that commented, 13 agreed that the code administrators should continue to pay for surveys, although some of these caveated their support with the requirement that the code administrators (and industry) should be able to provide input into the survey and to receive the feedback from it. One respondent considered that Ofgem should pay, another considered that those who benefit from the survey (either Ofgem or industry) should pay,

⁵ For example, the difference in the complexity of modification proposals means that the assessment of some may require more meetings as a result. It does not mean that there should have been less meetings, or that an 'optimal' number which was exceeded.

⁶ We recognise that these metrics are not as set out in the current version of the CACoP. However, we consider it expedient that the code administrators commence providing the information as set out in the revised metrics.

⁷ i.e. at the beginning of July for the period 1 April to 30 June, at the beginning of October for the period 1 July to 30 September, etc.

whilst another felt the estimated costs were not proportionate, and offered to work with other code administrators to develop a single online survey.

We note that the majority of respondents agreed that code administrators should continue to pay for the survey and we agree that this is the appropriate way forward. We note the comments regarding consultation in respect of input into the survey by code administrators and industry, and also for the provision of feedback to code administrators following the survey. We agree that it is appropriate that we consult on the makeup of the survey and also that the code administrators receive feedback from the survey.

One respondent considered code administrators must retain the right, at their own cost, to survey other elements of their business where appropriate. We consider that the survey, together with the metrics, should mean that further surveys would not be required. However, we recognise that some code administrators may wish to survey additional elements of their business at their own cost.

Three respondents considered that the indicative costs were excessive. We would note that the costs estimate were highly indicative, and will look to ensure that the final cost provides value for money to all. We would note that whilst some of the current surveys are undertaken at very low cost, others, particularly those that include telephone surveys are more expensive.

The responses⁸ in terms of the options for allocation of costs were:

Option 1 (equal split across 11 codes)	8 +1
Option 2 (equal split across 6 code administration organisations)	2 +1
Option 3 (split across 'main' commercial codes)	0
Option 4 (split across codes in proportion to current spending on survey)	2
Option 5 (split across codes in proportion to overall code administration budget)	3

We note that the majority of respondents supported option 1. However, we note that there is significant difference across the codes in respect of their budgets. We therefore agree that the costs should be allocated across all the codes, but consider that it may be more appropriate for the funding to be split between the code administrators more in line with their overall budgets.

Next steps

We will now look to appoint an independent third party to undertake the survey. We will discuss further with the code administrators (and panels as appropriate) the appropriate way to split the funding of the survey.

Once the third party has been appointed, they would develop the survey to be undertaken, supported by Ofgem. As noted above, we would consult with code administrators, Panels and industry prior to finalising the survey. We would expect the survey to be undertaken initially on an annual basis via a series of web-based and telephone questionnaires, with the first survey commencing in autumn 2016.

Should you have any queries regarding this letter, please do not hesitate to contact me.

Yours faithfully,

Lesley Nugent
Head of Industry Codes and Licensing

⁸ One respondent did not provide a view, another respondent provided two preferences

Appendix 1 – 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 - Non-urgent	
		Authority Consent - Urgent	
		Self-governance	
		Fast Track self-governance	
		Self-governance - Urgent	
2	Number of modifications withdrawn in the period January 01 to March 31: (Any modifications with alternates should just be counted as 1)	Authority Consent - Non-urgent	
		Authority Consent - Urgent	
		Self-governance	
		Fast Track self-governance	
		Self-governance - Urgent	
3	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	
4	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	
		Self-governance - Urgent	
5	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	
6	Number of modifications implemented in January 01 to March 31:		
CONSULTATION			
7	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, and any modifications with alternates should be counted as 1):	Authority Consent - Non-urgent	
		Authority Consent - Urgent	
		Self-governance	
		Fast Track self-governance	
		Self-governance - Urgent	
8	Number of consultations to <u>non-urgent</u> 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	
9	Number of consultations to <u>urgent</u> 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	
10	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 - Non-urgent	
		Authority Consent - Urgent	
		Self-governance	
		Fast Track self-governance	
		Self-governance - Urgent	
ENGAGEMENT			
11	Number of new parties who have acceded to the code in the period January 01 to March 31:		
12	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:		
13	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	
14	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			
15	Number of modifications which had their final vote in the period January 01 to March 31, for which an estimation of the central system implementation costs <u>was not</u> available in the final consultation	Authority Consent - Non-urgent	
		Authority Consent - Urgent	
		Self-governance	
		Fast Track self-governance	
		Self-governance - Urgent	
16	Number of modifications, implemented in January 01 to March 31, where the central system implementation costs were zero:		
17	Number of modifications, implemented in January 01 to March 31, where the central system implementation 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 document sets out the necessary guidance for code administrators to complete 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.

Overview

The questions that relate to modifications, relate in the main to modifications to the main code document. The following table sets out a guide as to what should be included.

Code	Included	Not included
SPAA	draft modifications (but do not double count) SPAA schedules	
BSC		change proposals that are raised to amend code subsidiary documents and central systems that sit beneath the code
UNC	enabling modifications (except in respect of question 10)	
Distribution Code	Technical Standards (Distribution Code Standards and Other Industry Standards)	Guidance Notes and Distribution Code Introduction
Grid Code	Electrical Standards	supporting guidance documents or associated agreements, eg BEGA
DCUSA		any guidance notes associated with the DCUSA processes
CUSC	Schedules and Exhibits	any of the associated agreements, eg BEGA
STC		STC Procedures (STCPs)
iGT	iGT UNC and individual GT codes	
MRA		subsidiary documents, i.e. MAPs and the DTCs.

We recognise that in respect of the modification to some codes, these are referred to as ‘change proposals’, the metrics should be completed in respect of the terminology used in the specific code.

For completeness, we have included five categories of modification proposal: Authority Consent – non-urgent; Authority Consent – Urgent; Self-governance; Fast Track self-governance; Self-governance – Urgent. We recognise that for some of these categories the return for a number of codes will be nil.

General

Question 1

For the purposes of this question a modification proposal is considered raised when it has been submitted on the standard modification template to the code administrator and the code administrator has given notice that a modification has been raised (as per the Common Modification Process). We do expect that all new code modification proposals 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 2

This question aims to find out the number of modification proposals that have been withdrawn in the relevant period. Irrespective of the stage in the process that it has been withdrawn, it should be counted in this section. For the avoidance of doubt, modifications that have been simply been reclassified (e.g. to self-governance) should not be counted here.

Question 3

This question looks to gather data on how many modification proposals have been submitted to the Authority for decision in the period. If a modification is also sent back in this period it should still be counted. For example if two non-urgent modifications are submitted to the Authority in the time period, one of which has three alternates, then '2' should be put in the first column and '3' in the alternates column.

Question 4

This question only looks to gather data on the final panel vote on whether to approve or reject a self-governance 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). Alternates should be treated the same as in question 3.

Question 5

This question looks to capture data on any reports that have been sent back by the Authority following submission. (It should be noted that the submission to the Authority and send back may not be captured in the same reporting period.)

Question 6

This question looks to capture the number of modifications (of all categories) that have been implemented during the reporting period. Implementation means that all the industry change has been completed.

Question 7

This includes any consultation (including impact assessments) raised by workgroups for a specific modification proposal as well as any consultation raised following a panel meeting.

Question 8

The consultations considered in response to this question should be those in the relevant categories of modification proposals that are included in question 7.

Question 9

The consultations considered in response to this question should be those in the relevant categories of modification proposals that are included in question 7.

Question 10

The modifications considered in response to this question should be those included in questions 3 and 4. Alternates should not be counted in response to this question. We note that in respect of the SPAA as a result of the appeals mechanism, the modifications considered here may not be exactly the same as those in question 3.

Question 11

This question just requires the number of parties that have acceded to the code in the given period to be included.

Question 12

This question aims to find out how many times code administrators are asked for help in their role as code administrators. This is not just restricted to parties to the code or to the modification process. Each request (by email or phone) should be counted. Each request should only be counted once (i.e. if there are follow-ups to a request these should not be counted). Requests may range from confirmation of the date of a meeting to assistance in drafting a modification proposal.

Question 13

The calculations for this question should be in respect of the Authority consent modifications (both urgent and non-urgent) that are included in the answer to question 7.

Question 14

The calculations for this question should be in respect of the self-governance modifications (both fast track and non-fast track) that are included in the answer to question 7.

Question 15

The costs that should be considered are central system implementation costs. Costs incurred by individual market participants should not be included.

The modifications considered in response to this question should be those included in questions 3 and 4. Alternates should not be counted in response to this question. For those modifications for which the estimated cost of implementation at the time of the final vote is zero, should not be counted in this metric. We note that in respect of the SPAA as a result of the appeals mechanism, the modifications considered here may not be exactly the same as those in question 3.

Question 16

The modifications considered in response to this question should be those included in question 6.

Question 17

The modifications considered in response to this question should be those included in question 6, where the final costs were available. However, if the final costs have only become available for modifications implemented in previous quarters then these should also be considered in response to this question.