

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

Email: industrycodes@ofgem.gov.uk

Date: 14 June 2016

Dear colleague,

Decision to modify gas and electricity licences to implement Code Governance Review (Phase 3) Final Proposals

On 10 May 2016 we published statutory notices¹ consulting on licence modifications necessary to give effect to our Code Governance Review (Phase 3) (CGR3) Final Proposals².

The CGR3 Final Proposals apply to holders of the relevant licences listed in the table below and also affect industry code parties and other interested parties.

Licence type	Licence conditions to be modified
Electricity Transmission	<ul style="list-style-type: none"> • SLC B12 (System Operator – Transmission Owner Code (STC)) • SLC C3 (Balancing and Settlement Code (BSC)) • SLC C5 (Use of system charging methodology) • SLC C10 (Connection and Use of System Code (CUSC)) • SLC C14 (Grid Code)
Electricity Distribution	<ul style="list-style-type: none"> • SLC 21 (The Distribution Code) • SLC22 (Distribution Connection and Use of System Agreement) • SLC22 A (Governance and change control arrangements for Relevant Charging Methodologies) • SLC23 (Master Registration Agreement)
Gas Transporter Licence	<ul style="list-style-type: none"> • Standard Special Condition A11 (Network Code and Uniform Network Code)
Gas Transporter Licence	<ul style="list-style-type: none"> • SLC 9 (Network Code and Uniform Network Code)
Gas Supply Licence	<ul style="list-style-type: none"> • SLC30 (Supply Point Administration Agreement)

The statutory consultations on the proposed licence modifications closed on 7 June 2016. We received seven responses, none of which were marked as confidential. All are available

¹ <https://www.ofgem.gov.uk/publications-and-updates/code-governance-review-phase-3-final-proposals-statutory-consultation-licence-modifications-0>

² https://www.ofgem.gov.uk/system/files/docs/2016/03/code_governance_review_phase_3_final_proposals_2.pdf

on our website.³ A summary of these responses is set out in Appendix 1 to this letter, alongside our views.

In light of the responses received, we have made minor amendments to the licence drafting. These changes correct typographical and grammatical errors; they do not amount to a substantive change to the modifications proposed in the statutory consultation.

The modifications are set out in the appendices to this letter as follows.

Appendix	Licence
2	Electricity Transmission Licence
3	Electricity Distribution Licence
4	Gas Transporter Licence (Standard Special Conditions)
5	Gas Transporter Licence (Standard Conditions)
6	Gas Supply Licence

Where applicable, we expect modification proposals to be taken forward to reflect these changes within the relevant codes.

Alongside these modifications, we have also published updated guidance in respect of the Significant Code Review (SCR) process.⁴ This guidance takes account of the responses we received to our statutory consultation and our Code Governance Review (Phase 3) Final Proposals – consultation on licence modifications, which are available on the Ofgem website.⁵

Yours faithfully,

Lesley Nugent
Head of Industry Codes and Licensing

³ <https://www.ofgem.gov.uk/publications-and-updates/code-governance-review-phase-3-final-proposals-statutory-consultation-licence-modifications-0>

⁴ <https://www.ofgem.gov.uk/publications-and-updates/ofgem-guidance-launch-and-conduct-significant-code-reviews-scrs>

⁵ <https://www.ofgem.gov.uk/publications-and-updates/code-governance-review-phase-3-final-proposals-consultation-licence-modifications>

Appendix 1 – Responses to statutory consultation

Licence drafting

Respondents welcomed the clarifications and updates to the previous drafting that had been consulted on and made a number of specific comments, which are set out in the table.

Licence type and condition^{6,7}	Response⁸	Comments
Electricity Distribution SLC23 Gas Supply SLC 30 Electricity Transmission SLC B12	In SLC23.6A (c), reference to 'network code' should be to 'MRA'	We agree that this is an incorrect reference. In addition, in SLC 30, 30.10A(c) the reference to 'network code' should be to 'SPAA' and in B12, 6GA the reference to 'CUSC' should be to STC. We have amended the drafting accordingly.
Electricity Transmission SLC B12 Electricity Distribution SLC 21, 22, 23 Gas Transporter SLC 9 Gas Supply SLC 30	In SLC 21.11A(b) the inserted words 'or made by' don't seem to make sense. Need to remove 'made'	We have amended the drafting accordingly
Electricity Distribution SLC 21	21.11AA first line 'that' should be deleted	We have amended the drafting accordingly
Electricity Transmission SLC B12, C3, C10, C14 Electricity Distribution SLC 21, 22, 23 Gas Transporter SSC A11 Gas Transporter SLC 9 Gas Supply SLC 30	21.11B second line of subparagraph (c) 'has' should be 'have'	We have amended the drafting accordingly
Electricity Transmission SLC B12, C3, C10, C14 Electricity Distribution SLC 21, 22, 23 Gas Transporter SSC A11 Gas Transporter SLC 9 Gas Supply SLC 30	21.11C end of the fourth line the word 'either' should be deleted	We have amended the drafting accordingly
Electricity Transmission SLC B12, C3, C10, C14 Electricity Distribution SLC 21, 22, 23 Gas Transporter SSC A11 Gas Transporter SLC 9 Gas Supply SLC 30	21.11F final line 'recommence' should not be hyphenated	We have amended the drafting accordingly
Electricity Distribution SLC 22	22.9A first line para 9 should be para 22.9 (existing error)	We have amended the drafting accordingly
Electricity Distribution SLC 22	22.10 (c) sixth line 'with' should be inserted immediately after accordance	We have amended the drafting accordingly
Electricity Distribution SLC 22A	22A.10 second line 'facilities' should be 'facilitates' (existing error)	We have amended the drafting accordingly
Electricity Distribution SLC 22A	22A.12 third line 'incorporation' should be 'incorporating' (existing error)	We have amended the drafting accordingly
Electricity Distribution SLC 23	23.5(i) first line a comma should be inserted after opening word 'that' (existing error)	We have amended the drafting accordingly
Electricity Distribution SLC 21	In paragraph 21.11B(c) there is a closing bracket after the word "issued" which does not have an equivalent opening parenthesis	We have amended the drafting accordingly
Electricity Distribution SLC 21	In paragraph 21.11F there is a cross	We agree that the reference to

⁶ Standard Licence Condition (SLC), Standard Special Condition (SSC).

⁷ Where the response was also applicable to other licence conditions we have included them in this table, despite not necessarily being referenced in the response.

⁸ The reference to a paragraph or sub-paragraph relates to that referred to in the specific response. Where the same amendment is made in another condition, the numbering will not be applicable.

	reference to paragraph 21.11A(e) which does not exist	21.11A(e) is incorrect and have removed it
Electricity Distribution SLC 22A	22A.19 is redundant and could be removed	We recognise that this paragraph may be redundant, but do not consider it appropriate to delete without further consideration and consultation if appropriate
Electricity Distribution SLC 21	21.11B inseting of new subparagraphs (ba) and (bb) should match that of existing subparagraphs (a), (b) and (c)	This is a formatting issue which we have corrected.
Electricity Distribution SLC 21, 22, 22A, 23	There are a number of issues with left-hand alignment in these conditions	This is a formatting issue which we have corrected.
Electricity Distribution SLC 21	Propose renumbering of paragraphs and cross-references	As stated previously, we have sought to simplify the new paragraph numbering as much as possible. We have added new paragraphs using a standard numbering convention, that avoids the requirement to renumber existing paragraphs
Electricity Distribution SLC 21	We acknowledge that, in respect of the use of words and numbers to describe the length of time in these conditions, they are internally consistent; however we are unclear as to why this opportunity has not been taken to bring them in line with the format used in the rest of the distribution licence.	As stated previously, we consider that the proposed amendments to the licence conditions are internally consistent with the drafting in existence within that condition

Other comments

One respondent welcomed that revised SCR guidance would be issued. Another respondent reiterated a number of concerns regarding the revised SCR guidance. This respondent also requested that the licence conditions include a term obliging the Authority to issue guidance and to consult on that guidance before the licence condition comes into effect. As noted above, we have today also published revised SCR guidance. In this revised guidance, we have taken into account the comments that we have received in respect of the draft guidance that we consulted on previously. We do not consider it appropriate to put obligations on the Authority within a licence (the purpose of which is to set out the terms and conditions authorising another party to undertake a particular activity), however, we would note that we have consulted on the guidance before the licence conditions have come into effect.