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Laura Nell  
Code Governance Remedies,  
Ofgem,  
9 Millbank  
London,  
SW1P 3GE

1 February 2017

Dear Laura,

The DCUSA Ltd Board of Directors welcome the opportunity to respond to Ofgem's Industry Code Governance: Initial consultation on implementing the Competition and Markets Authority's recommendations, published and on 9<sup>th</sup> November 2016.

The Distribution Connections Use of System Agreement (DCUSA) was established in October 2006 as a multi-party contract between electricity distributors, generators and suppliers, covering the arrangements for connecting to the electricity distribution networks and associated charging arrangements. A mandatory requirement exists for all licensed distributors and suppliers to become signatories to DCUSA<sup>1</sup>. DCUSA Ltd was established as the contracting vehicle to enable electricity distributors and suppliers to contract with a service provider for the provision of independent code administration services and to facilitate the efficient and economic delivery of DCUSA change and governance arrangements.

In 2006, ElectraLink was awarded the DCUSA secretariat services contract following competitive procurement. Since this time the scope of the services provided to DCUSA Ltd have developed and evolved in response to changing governance and regulatory requirements, including the relevant Code Governance Review elements implemented by Ofgem. This has included the provision of independent chairs to workgroups, amendments to the change process and inclusion of DCUSA within the scope of the Code Administrators Code of Practice (CACoP). ElectraLink reports to the DCUSA Board of Directors which consists of two distribution network operators, one independent network operator and two suppliers. The DCUSA Board is responsible for overseeing the delivery of the services provided by ElectraLink, including the delivery of the Service Level Agreements (SLAs) contained within the contract and ensuring that the key terms of the contract are delivered in a cost effective manner. The DCUSA Board is also responsible for developing the delivery of the annual budget for the delivery of core DCUSA services, consulting with DCUSA Parties on this budget and ensuring that the service is delivered in line with the budget. The DCUSA panel is responsible for overseeing the change process and reports to the Board on a monthly basis.

The DCUSA Ltd Board of Directors support the sentiment of the consultation and the belief by Ofgem that industry codes under pinning central delivery systems should be run by more strategically focused code managers under a single licence approach. This will help to ensure that code changes that also require amendments to central systems can be co-ordinated and delivered in an economic and efficient manner. We believe this code manager would then be in the best position to ensure coordination of cross code changes on behalf of industry, ensuring that any facilitating changes or

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<sup>1</sup> <https://www.dcusa.co.uk/SitePages/Documents/DCUSA-Document.aspx>

amendments are delivered in a timely and efficient manner. DCUSA Ltd has minimal interaction with central delivery systems, as such we don't feel DCUSA Ltd should be included as a priority for Ofgem when implementing these new arrangements. The only central system which DCUSA loosely governs is the Hunter System delivered as part of the Theft Risk Assessment service (TRAS). DCUSA Ltd does not feel that TRAS is a natural fit within DCUSA, as theft is predominantly a Supplier issue; whilst DCUSA predominantly deals with distribution network and supplier interactions. We recognise that at the time of implementation the DCUSA was the most suitable code to provide the governance regime for TRAS; however, we feel that the output from faster switching programme should also consider whether the TRAS arrangements should be included with the implementation of a potential single retail code.

The DCUSA Ltd Board feel strongly that as the experts, panels play a vital part in the successful running of each code. The Board would like the DCUSA Panel to input into a competitive procurement process to appoint a code manager to ensure that these skills and expertise are leveraged. Some of the codes included within CACoP will require code managers to have different skills and technical expertise, and the DCUSA Ltd Board believe that the Panel would be in the best place to test their relevant skills and experience in a procurement process.

DCUSA Ltd also feel that there are a number of key areas which require Ofgem's careful consideration before any new arrangements can be put in place. DCUSA Ltd believe that Ofgem should give particular attention and consideration to:

1. Under the proposed new licensing regime, how would new arrangements impact existing code Panels' role and responsibilities?
2. How would Ofgem's expectations on code managers balance with contractual requirements between code managers and code Parties?
3. Do Ofgem have a preferred approach that code managers should follow for managing cross code strategic direction?

DCUSA Ltd is responding in its role as the contracting party and responsible body for overseeing the delivery of code administrator services. As such the views expressed in this response are those of DCUSA Ltd and should not be taken as representing the views of DCUSA Parties or ElectraLink.

DCUSA Ltd have set out our responses to the questions in the consultation in Appendix A. Should you require any further information please in the first instance contact [DCUSA@electralink.co.uk](mailto:DCUSA@electralink.co.uk).

Yours sincerely,



**Chair of DCUSA Ltd Board of Directors**

**List of enclosures:**

- Appendix A – DCUSA Ltd response to Ofgem's 'Industry Code Governance: Initial consultation on implementing the Competition and Markets Authority's recommendations'

## **Appendix A – DCUSA Ltd response to Ofgem’s ‘Industry Code Governance: Initial consultation on implementing the Competition and Markets Authority’s recommendations’**

**Chapter 2: Question 1: Do you agree that the codes and functions we have identified (i.e. the codes within the scope of the CACoP and their associated central system delivery functions) should be within scope of the new regime?**

DCUSA Ltd believe that the all code parties who manage central systems should be within scope of these broader code manager arrangements. Code Managers should ensure consistent practices across all code managers and to ensure cross code change.

**Chapter 2: Question 2: Are there any other codes or systems that should be within scope and if so please give your reasons?**

DCUSA Ltd Board believe that the scope should be confined to codes which support industry’s central systems. Widening the scope would increase the amount of change which the industry must manage. We feel that the existing change pipeline is already congested enough. DCUSA Ltd recommend implementing the most cost effective solution which maybe to prioritise the new arrangements in codes which cover central systems.

**Chapter 2: Question 3: Are there any other factors you think we should consider when making this decision?**

We would urge Ofgem to consider which codes the Theft Risk Assessment Service should be considered under, as there isn’t currently a natural fit.

**Chapter 3: Question 1: What are your views on our proposed approach of including the code manager and delivery body function in a single licence?**

We support the approach set out in the consultation to include code managers and delivery bodies in a single licence.

**Chapter 3: Question 2: What are your views on strengthening the licence of NGET to include new code management requirements rather than holding a tender to identify an appropriate code manager?**

We have no strong view on whether the NGET Licence should be strengthened.

**Chapter 3: Question 3: What are your views on the merits and drawbacks of the four identified models for competitively licensing code management where applicable?**

The DCUSA Board would prefer Ofgem to implement a permissive licencing framework to cover all codes included within the new arrangements. DCUSA Ltd’s preference is to implement Model 2, the permissive licence which provides Ofgem oversight of the short listed code managers and allows panels to run a procurement activity to appoint a code manager whom is most aligned to specific codes. We feel that as the panel members are independent experts for each codes and are in the best position to truly understand what is required by each code manager.

**Chapter 3: Question 4: What are your views regarding which model(s) may be appropriate for different codes, or types of codes?**

Following the conclusion of this consultation we believe that a uniform approach should be applied to all codes included within the scope of the new arrangements.

**Chapter 4: Question 1: Do you agree with the purpose of the strategic direction?**

We agree that Ofgem should provide strategic direction to code managers and market operators of central systems. DCUSA Ltd do not operate central systems, instead provide the regulatory framework for distribution, use of system and

connections. Given that this involves managing consequential industry change, we do not feel that DCUSA should be within scope of the new arrangements.

**Chapter 4: Question 2: Do you have any views on how the strategic direction should be developed and implemented?**

We feel strongly that Ofgem should provide clear direction on how code managers should work collaboratively. Where there are multiple changes across complementary industry codes we feel a lead code manager needs to be appointed to co-ordinate the suite of modifications to different codes. The new regime would need to have sufficient flexibility to enable to most appropriate code manager to lead the cross code change and an appropriate funding mechanism should be in place to support the programme.

**Chapter 4: Question 3: How much detail do you consider should be included in the strategic direction?**

DCUSA Ltd would like Ofgem to provide a clear project plan and how much resource is required for the strategic direction module.

**Chapter 4: Question 4: Which specific projects do you consider should be included in the initial strategic direction?**

We agree that the projects highlighted in Ofgem's Forward Workplan 2016/17 should be included in the initial approach to strategic direction.

**Chapter 5: Question 1: What do you see as the core role and functions of the consultative board?**

We believe that the consultative board should work with Code Managers to highlight potential change pipelines and to identify key interdependencies between codes and projects.

**Chapter 6: Question 1: What are the main impacts of the proposed new arrangements on existing projects?**

We feel there will be limited impact on existing projects that DCUSA are currently working on.

**Chapter 6: Question 2: Would Ofgem's enhanced powers over strategically important modification proposals mean that our Significant Code Review (SCR) powers will be obsolete, and will the new powers form an effective substitute? Please explain your reasoning.**

The proposed changes should help drive change forward. We believe that from time to time Ofgem will still be required to direct change. We support Ofgem retaining powers to enact change and step in where necessary and feel that these should clearly be defined in legislation.

**Chapter 6: Question 3: What are your views on staggering the implementation of competitive applications for licences?**

We support a staggered approach and feel that DCUSA Ltd should not be a priority for Ofgem as there are limited changes and corresponding interdependencies on the change pipeline. We would urge Ofgem to consider existing contracts between codes and secretariats when determining the most appropriate timescales to award code manager licences. We feel that existing contracts should be honoured, with code manager licences being awarded at the end of contracts rather than enacting break clauses within contracts.