



Making a positive difference  
for energy consumers

To: Code Administrators, gas and electricity licensees and all other interested parties

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Dear Colleague,

### **Approval of changes to the Code Administration Code of Practice**

This letter sets out our decision to approve the addition of a new Principle 14, to the Code Administration Code of Practice (CACoP)<sup>1</sup>.

To support innovation, Ofgem created a regulatory sandbox for small-scale innovative propositions to be trialled. However, the scope of this sandbox is limited by Ofgem's remit, and does not extend to industry codes. In January 2018, we invited all industry code chairs to discuss innovation and a wider adoption of the sandbox approach. We also engaged with a number of code Panels on this.

Principle 14 will require that Code Administrators (CAs) support prospective energy innovators in a number of ways. This may include providing guidance on codes to innovators, collaborating with other CA's to support trials and where applicable, enabling trials of innovations.

#### *Background*

The CACoP aims to facilitate convergence and transparency in code modification processes. It is also intended to help protect the interests of small market participants and consumers through the adoption of key code administration principles. The CAs for the gas and electricity industry codes<sup>2</sup> are required to follow the Principles contained in CACoP, which includes Principle 4. This Principle sets out that CACoP is subject to amendment by users.

The relevant gas and electricity licence conditions<sup>3</sup> require that changes to the CACoP must be approved by Ofgem<sup>4</sup>.

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<sup>1</sup> <https://www.ofgem.gov.uk/licences-codes-and-standards/codes/industry-codes-work/code-administration-codepractice-cacop>

<sup>2</sup> The CACoP applies to the following industry codes: Balancing and Settlement Code, Connection and Use of System Code, Distribution Code, Distribution Connection and Use of System Agreement, Grid Code, Independent Gas Transporters UNC, Master Registration Agreement, SO-TO Code, Supply Point Administration Agreement, Uniform Network Code and the Smart Energy Code following designation by the Government.

<sup>3</sup> Standard conditions 21, 22 and 23 of the electricity distribution licence, standard conditions B12, C3, C10 and C14 of the transmission licence, standard condition 30 of the gas supply licence, standard condition 9 of the transporters licence, standard special condition (gas) A11, and condition C7 of the Smart Energy Code.

<sup>4</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

### *The proposed changes*

On 23 July 2018, the CA for DCUSA submitted a request to us to approve a change to the CACoP. Principle 14 'Code Administrators shall support prospective energy innovators' has been developed jointly with all CACoP CAs. It seeks to encourage CAs to develop cross code processes and identify and facilitate changes to their codes to support Ofgem's innovation activities. The principle has been reviewed and approved by the governing Panels and Executive Committees of the eleven CACoP member codes and was submitted with a unanimous recommendation for approval and inclusion in the CACoP.

### *Our decision*

We support the addition of Principle 14 and the requirement on CAs to support energy innovation through cross code facilitation and support to Ofgem's innovation activities. By supporting innovation in a coordinated and efficient way we anticipate that the benefits to consumers from innovation in the sector, will be realised more quickly.

In accordance with Principle 4 of the CACoP and the relevant licence conditions, we approve the addition of Principle 14 to CACoP. The revised version is published on our website here: <https://www.ofgem.gov.uk/licences-industry-codes-and-standards/industry-code-governance/code-administration-code-practice-cacop>

Yours faithfully,

**Lesley Nugent**

**Head of Industry Codes and Licensing**

Signed on behalf of the Authority and authorised for that purpose