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29th July 2019

Rachel Clark

Ofgem

10 South Colonnade

Canary Wharf

London

SW1P 3GE

By email only to: switchingprogramme@ofgem.gov.uk

Dear Rachel,

Response to the Ofgem consultation on Switching Programme and Retail Code Consolidation: Proposed change to licences and industry codes (Questions 1.3, 1.4, 4.3 and 4.4).

BUUK Infrastructure Limited (BUUK) welcomes the opportunity to respond to the above consultation, specifically on REC governance arrangements and MPAS governance. This response is provided for and on behalf of BUUK's IGT and IDNO Licensees (GTC Pipelines Limited, Independent Pipelines Limited, Quadrant Pipelines Limited, The Electricity Network Company Limited and Independent Power Networks Limited).

In principle BUUK supports Ofgem's approach to the introduction of the Retail Energy Code, including the RECCo, Panel and Manger. BUUK has engaged significantly in the Faster Switching Programme to date and have now taken the opportunity to formally respond, at Ofgem's early request, to the above-mentioned questions. We also intend to formally respond to the remaining questions by the 9th September 2019.

Our full response to the consultation questions 1.3, 1.4, 1.5, 4.3 and 4.4 can be found in Appendix 1 of this letter.

Yours sincerely

Mike Harding
Regulation Director

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Appendix 1 – Consultation Questions

1.3: Do you consider that the methodology as set out above is appropriate?

BUUK have reviewed the methodology and agree that the idea of embedding a set of methodologies for the REC Code Manager to apply is a useful evolution of the principles originally set out in the consultation. The main challenge will be translating these into a set of contractual services that the REC Code Manager would perform. Ofgem will need to formulate a set of measurable criteria for each of these in order to accurately gauge performance. Instead, they would probably act more as a set of behaviours that the REC Board would judge whether the REC Code Manager was delivering against.

One addition to the list provided we would also include: "Ensuring a balanced and fair perspective, as representative of all parties".

1.4: Do you have any comments on the scope of services?

At this time, it is difficult to disagree with any of the services currently presented in the consultation. However, these services remain very high-level and will need significant development to be in place for use in any procurement exercise(s). For instance, would the Code Change Management include the provision of legal text for REC changes? We would envisage so, and therefore believe that this piece of work should form a priority to be ready for the REC Manager procurement later in 2019.

1.5: Do you agree with our outline proposals on the set-up of the REC Manager?

BUUK disagrees with the proposed delegation of activity and certain functions around the oversight of the REC Manger to the PAB. Adding contract management to the PAB role would distort its function and risk undermining its focus on performance of REC parties with REC obligations. It also isn't clear what, if any, other functions Ofgem intend to be delegated to the PAB. Building on from this, how will Ofgem ensure that the PAB have the right expertise to be able to operate certain functions of the Code Manager, when presumably PAB members have been appointed for their 'PAB skills' rather than code/contract manager skills?

Therefore, BUUK suggest that it is advisable for the REC Board to delegate the management of contracts to the REC Manager. Such delegation has been used in other codes to successfully reduce the workload on the REC Board, leaving them to make strategic decisions.

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4.3: Which option outlined above do you think is best suited to govern MPAS (as defined above) once the MRA has closed, and why?

Having considered every option; REC, BSC and DCUSA, BUUK has come to the conclusion that the best suited governance for MPAS would be for it to fall under DCUSA. We have set out the reasons why below:

- MPAS has always been largely a network system, from it historically being born from DNOs and now widely utilised and adopted across all IDNOs. As such it seems imprudent for it to be governed under a Retail centred code.
- Under REC or even BSC (DNOs only have 1 sole representative) governance, networks [will] only hold a small amount of voting power, if MPAS was governed here it would mean that networks would get minimal say in changes. Therefore, it would be wise for MPAS to be governed under DCUSA where networks have more say, protecting their interests and where they are already familiar with processes and procedures.
- The new connection/MPAN creation element will remain in MPAS and therefore this part of the network process should remain in a network code and not in a retail code.

4.4: Do you have serious concerns about the suitability of any of the options for the future governance of MPAS, outlined above?

Many of the points BUUK wished to make are outlined above, but for the purpose of the consultation we have reiterated them again below.

BSC: Currently there is only 1 sole network representative within the BSC and little other required input from networks. Therefore, the lack of representation is a real concern. The nature of the code also doesn't suit what will now be MPAS's main function of new connection/MPAN creation.

REC: The current voting model under the REC Panel means that there will be limited network representation. Due to the history and investment in MPAS being born from Networks it appears imprudent for this to be governed under a retail activity-based code.

DCUSA: Appears to be the best fit for networks, as outlined in our response to 4.3 above. There will need to be changes and additions to the code to build in MPAS governance into DCUSA, but this shouldn't prove to be too onerous.