

Rachel Clark
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Ofgem
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26 July 2019

Dear Rachel

Response to Ofgem's Consultation on the Switching Programme and Retail Code Consolidation

Thank you for the opportunity to comment on Ofgem's consultation on the switching programme and Retail Code Consolidation.

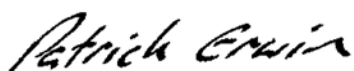
The consultation asks for early responses to questions 1.3, 1.4, 1.5, 4.3, and 4.4 by 29 July and our response to those questions is in the attached annex. We will also be submitting a response to the remaining questions by the 9 September 2019 response date.

Our summary view is that we fully support the further development of the Retail Energy Code (REC) and we recognise its governance of the operations for faster and more reliable switching is of key importance in delivering improved customer outcomes. We also understand and support the wider objectives of creating a code that is more accessible to parties and may form a template for future industry code simplification.

The main point we make in our annex response to some of the initial detailed questions is regarding the future governance of the Meter Point Administration Service (MPAS). We firmly believe that of the existing codes, the Distribution Connection and Use of System Agreement (DCUSA) is the most logical home for MPAS, given it is a core part of a DNO's activities and there are already MPAN related duties encompassed in that code. We think an incremental reform makes sense in the context of the Consultation on reforming the energy industry codes announced on 22 July.

If you have any questions about this response we would obviously welcome a discussion with you.

Yours sincerely

A handwritten signature in black ink that reads "Patrick Erwin".

Patrick Erwin
Policy and Markets Director

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Annex – Switching Programme and Retail Code Consolidation

1. This is Northern Powergrid’s response to Ofgem’s consultation on the Switching Programme and Retail Code Consolidation in respect of the initial questions 1.3, 1.4, 1.5, 4.3, and 4.4.

Q1.3: Do you consider that the methodology as set out is appropriate?

2. We consider the high-level principles and the key ‘Code Manager’ services set out in paragraphs 1.17 and 1.18 are an appropriate basis from which to build a methodology for the different service areas, although we may have identified one potential risk. In existing code governance arrangements, industry parties initiate change. We have concerns that as the REC Manager will be expected to drive change; and may be incentivised to do so, this may lead to a risk of a disproportionate level of change activity or inappropriately balanced change proposals being raised. Whilst we appreciate that parties will have the ability to reject changes through voting, high levels of change could cause some parties to become disengaged from the process.

Q1.4: Do you have any comments on the scope of the services?

3. The scope of the services seems reasonable at a headline level although we are unable to comment fully at this stage without the detailed descriptions.

Q1.5: Do you agree with our outline proposals on the set-up of the REC Manager?

4. Yes, we agree but would welcome more information in due course on the relationship between RECCo Board, the Code Manager and the management of multiple service providers. More clarity would be helpful on how multiple services providers could be managed to discharge different aspects of the REC Manager’s role collectively and efficiently with a consistent service across the various functions. This might be an issue that could be addressed in the Consultation on reforming the energy industry codes announced on 22 July 2019.

Q4.3: Which option outlines above do you think is best suited to govern MPAS once the MRA has closed, and why?

5. We think the option to govern MPAS under the DCUSA is the most suitable, given its existing provisions for the lifecycle of an MPAN as highlighted in the consultation.

6. As the provision of MPAS is a core part of a DNO's business in respect of connection and distributor services it is logical to place the provisions clearly within the remit of DCUSA. In this way, the obligations and processes relating to the DNOs' roles in managing MPANs are grouped together.
7. While distribution licences facilitated the creation of DCUSA and ensure that DNOs continue to support it, the DCUSA Board and Panel has supplier-appointed members. This means that the established governance and control of this code includes wider interests than solely DNOs.
8. We see no fundamental issues with reviewing DCUSA in respect of cross-code coordination.

Q4.4: Do you have any concerns about the suitability of any of the options for future governance of MPAS?

9. Option 4 to separate governance by function is likely to create disjointed arrangements, some stakeholders may find the separation confusing and it could create difficulties for code managers and parties in terms of facilitating any change proposals across the various governance codes and inputting in to multiple change processes. This option does not appear to fit with the direction of travel for code simplification.
10. We do not think the Balancing and Settlements Code (BSC) is a logical home for the MPAS as its focus is on the accuracy of settlements and associated innovation rather than provision of DNO services.
11. We do not think the REC is a logical home for MPAS as this supplier funded code should be allowed to focus on improving customer experience from faster switching. REC governance will face enough challenges during its development without adding the responsibilities for MPAS.