

Code Reform – Electricity Systems Team,
Department for Business, Energy & Industrial Strategy,
Abbey 1, 3rd Floor,
1 Victoria Street,
London, SW1H 0ET

Industry Code and Licensing Team
Ofgem
10 South Colonnade
Canary Wharf
London, E14 4PU

By email:

codereform@beis.gov.uk
industrycodes@ofgem.gov.uk

16 September 2019

Dear Sirs

Consultation on Reforming the Energy Industry Codes

Thank you for the opportunity to respond to the above consultation. This response is on behalf of UK Power Networks' three distribution licence holding companies: Eastern Power Networks plc, London Power Networks plc, and South Eastern Power Networks plc. We are the UK's largest electricity Distribution Network Operator (DNO), dedicated to delivering a safe, secure and sustainable electricity supply to 8.3 million homes and businesses.

We are supportive of the proposal from BEIS and Ofgem to introduce a new agile system that could help streamline the process behind energy industry code governance. We agree that this will help further enable the energy transition and facilitate decarbonisation and decentralisation.

At this early stage and with the data available at this point in time, of the three options set out, we support option three for an 'Integrated Rule Making Body' (IRMB) which combines both the Code Manager and the Strategic Body. This integrated working structure would better facilitate close coordination between the two functions, reducing administrative burden, and overhead expenses. As the programme continues and more information becomes available, it will be prudent to review and ensure this option remains most appropriate.

As to where such a body would sit, our preference is for a new independent body that is standalone, as this leaves Ofgem free for the role as a final arbiter of complaints. There is a need to ensure that such a body has the bandwidth and resources to fulfil its role. With respect to the ESO potentially fulfilling this role, we share the views raised on potential conflicts of interest and to avoid the risk of perceptions of insufficient separation, we believe the body should not sit within the

ESO. Such perceptions would serve as a distraction to the work of such a body and should therefore be avoided.

Within such a body, consideration should be given to a sectionalised or multi-tier system, whereby higher priority issues are processed by a particular section or tier of the body and lower priority issues such as administrative changes, are processed by another section or tier. The consultation discusses a similar approach with the Code Managers or the IRMB equivalent being able to make decisions on some changes, or making recommendations to the strategic body. This could help address the concerns raised about the time taken for changes to be made in the current system. The body must ensure that thoroughness and due process are maintained, whilst striving for in speed and agility. We would welcome details on the proposed appeals process.

Whilst we understand that work in this area is still in its early stages, it is not clear to us to whom the body would be accountable to. In the Executive Summary, the document states that the body would be required to take account of the Government's vision for energy and translate it into a strategic direction for the development of codes. In contrast, on page 21 of the consultation, it could be accountable to Parliament, Government and Ofgem. We note in the September workshop, the BEIS and Ofgem staff present did indicate it was accountable to the Government. We would welcome clarity on this point.

At this stage of the consultation, we have no strong preference on how it should be funded. But we believe it should be cost efficient and deliver value for money for customers.

We look forward to seeing more detail on the benefits case as this programme develops. We note the examples referred to and their associated benefits, if transferable, could be substantive.

We hope this letter proves helpful in answering your questions and we look forward to the developments in this area. If you have any questions, please do not hesitate to contact Paul Measday on 07875 113241 in the first instance.

Yours sincerely



James Hope
Head of Regulation and Regulatory Finance
UK Power Networks

Copy Paul Measday, Regulatory Returns & Compliance Manager, UK Power Networks
David Pang, Regulation Analyst, UK Power Networks