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**Non Confidential**

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18<sup>th</sup> December 2015

Dear Marion,

**Reference: Code Governance Review (Phase 3): Initial Proposals**

Gazprom Marketing & Trading Retail Limited ("***Gazprom Energy***") would like to thank you for the opportunity to respond to your consultation. We do not consider our response to be confidential and we are happy for our comments to be shared with other interested parties.

Gazprom Energy operates in the UK non-domestic sector as a gas supplier and a gas shipper. In addition, we also operate in the UK non-domestic power market as an electricity supplier.

We have answered the specific consultation questions as an appendix to this letter.

We hope you find our comments useful. Should you have any questions on or would like to meet to discuss our response, please don't hesitate to contact [tom.breckwoldt@gazprom-energy.com](mailto:tom.breckwoldt@gazprom-energy.com).

Yours sincerely,

Tom Breckwoldt  
**for and on behalf of Gazprom Energy**

## **Appendix 1**

### **Question 1: Do you agree that Ofgem should have the ability to lead an end-to-end SCR process, including the development of code change and legal text?**

We are not convinced that there is wisdom in Ofgem being able to develop and lead on an end-to-end SCR process including the development of code changes and legal text when Ofgem also takes the decision on implementation.

### **Question 2: Do you agree it is appropriate to clarify that Ofgem may set timetables for the code change process under an SCR, when the existing, industry-led code development route is used?**

We can see advantages in Ofgem setting timetables for the code change process under an SCR. This may help the industry target resource and plan development appropriately. However, we believe there should continue to be flexibility and pragmatism, as by their nature SCRs are significant changes involving complexity and usually major system or commercial impacts. In some instances, a little more time for development or implementation may result in a better outcome and we should not be fixated on delivering to a specific date to the detriment of the solution.

### **Question 3: Do you have any comments on the licence drafting set out in Appendix 3?**

We have not reviewed the legal text.

### **Question 4: Should Ofgem be able to directly raise a modification proposal under the standard process (option 2A)?**

As per our answer to question 1, we are concerned that there may be a lack of separation of powers should Ofgem both raise modifications and draft the legal text when it will ultimately come back to Ofgem to make the final decision.

### **Question 5: Do you have any other proposals for changes to the SCR process?**

We have no other proposals at this stage.

## **CHAPTER: Three**

### **Question 1: Do you agree that requiring a positive identification of why Authority consent is needed (rather than why it is not) could result in additional modifications being developed under self-governance?**

We believe that self-governance should only be used for housekeeping and administrative changes which have no material impact. The panels, whilst elected, should not be making decisions which

have material and/or commercial impacts on other industry parties. Ofgem should remain relevant vehicle for material decision making of this nature. Empowering panels to decide on material and therefore commercially sensitive issues could create a number of issues for those parties who, on a voluntary basis and without reward, currently fulfil these roles e.g. liability, challenges to impartiality etc.

**Question 2: Do you agree that guidance on the materiality criteria may assist industry in its assessment of whether a modification should be self-governance or require Authority consent?**

Greater guidance may be helpful but as per our answer to question 1 we believe this should be limited to housekeeping and administrative changes which have no material impact.

**Question 3: Do you agree that any potential guidance is something that panels and code administrators should develop, based on experience to date of using self-governance?**

We believe that any guidance on self-governance should be primarily from Ofgem given the range of different Panels and Code administrators.

**Question 4: Do you have any other proposals that may improve the self-governance processes under the codes?**

We have no other proposals on the self-governance process.

**CHAPTER: Four**

**Question 1: Do you agree that updating the guidance in CACoP and ensuring best practice across all codes would enhance the role of the Critical Friend?**

We are not sure the CACoP is sufficiently well advertised nor to what degree Ofgem are judging and evaluating code administrators against the CACoP. There may also be a benefit in focussing on specific outcomes.

One specific example, within **Principle 1: Code Administrators shall be critical friends** it says "Holding teleconference rather than 'face-to-face' meetings if this is more convenient for those that wish to participate, including smaller market participants".

While all code administrators may be able to tick a box that says teleconference facilities have been made available, the actual facilities are often well below the required standard for anyone dialling in to play a productive role in the meeting.

**Question 2: Please provide your suggestions as to how the Critical Friend role could be better advertised and what information each code administrator should include on its website.**

There may be benefit in code administrator's sign posting and outlining how they are best meeting the CACoP somewhere clearly visibly on their webpage. This may introduce a degree of competition as code administrators can see what other code administrators are doing. Some sort of feedback loop to Ofgem from industry parties may add to this.

**Question 3: Could a self-governance process be introduced for the CACoP?**

Again we believe Ofgem should be central to the review as an independent body that can look across the range of code administrators.

**Question 4: How often should the CACoP be reviewed?**

Annually seems appropriate.

**Question 5: Do you agree that greater visibility of the CACoP can be achieved by having clear links available on all code websites to a dedicated CACoP page?**

We agree.

**Question 6: How could the quantitative metrics be improved?**

We do not have any suggestions.

**Question 7: Should a single body send out one qualitative survey across all codes? If so, who would be best placed to undertake this role?**

Yes, we believe it should be Ofgem.

**Question 8: Do you agree that the modification process and template should be standardised across all codes?**

Yes, we believe there would be benefits in doing so. We favour the joint office approach under the UNC.

**Question 9: Is it appropriate that all panel chairs be completely independent of industry?**

Yes.

**Question 10: Is it appropriate that all panel members are required to be impartial, i.e. not to represent the interests of their company? Yes**

**Question 11: Should DCUSA voting be undertaken by panel, rather than all parties?**

For the sake of consistency it would make sense to align the DCUSA with other codes and for voting to be undertaken by the panel.

**Question 12: Should code administrators provide a chair for workgroups?**

We would note that in the Gas market the Joint Office act as the “Chair” for sub groups and this proves very useful. However the discharging of this role hinges on the administrator being seen as impartial. Of course some issues may need specialist knowledge and expertise which is outside the scope of the Chair, however, where the issue warrants it, generally the industry ensures the relevant parties attend the meetings.

**Question 13: Would including a consumer impacts section on each change proposal form help to ensure consumer interests are discussed and published?**

We believe this is a positive step as it is crucial as an industry that we are identifying and considering the consumer impacts of changes. How this is done will be important to consider though, as not all consumers are the same and will necessarily all be impacted in the same way. There will also be a difference in identifying at a high level that consumers may be impacted and actually documenting how they are impacted and the materiality. It will need to be considered at what granularity this is recorded.

From a non-domestic only supplier perspective, it would be helpful if lower level changes only affecting domestic customers were clearly identifiable. Domestic only suppliers may also welcome this in the reverse.

**Question 14: Do you agree with the housekeeping changes we have proposed?**

Yes.

**CHAPTER: Five**

**Question 1: Should all ‘material’ charging modifications proceed through premodification processes and demonstrate some initial evidence against the relevant charging objectives prior to being formally raised?**

While we can see some benefit in doing this to increase efficiency elsewhere in the process, it should be noted that not all parties have the resource to participate in the range of pre-modification processes. This hurdle may reduce the engagement of some parties leading to less well-rounded modifications or lead to modifications that favour those parties that can regularly engage early on in the process.

**Question 2: Could the current pre-modifications processes for charging code changes be applied more effectively in line with CACoP Principles 5 and 6?**

No comment.

**Question 3: Should panels develop forward workplans for charging modifications in line with agreed priority area(s) to provide a more robust approach to managing modifications?**

We agree that a forward work plan from code administrators could be beneficial. However the plan would need to be a flexible, living document, subject to change and recognising both the longer term nature of some changes as well as the need to facilitate short notice changes.

It would also be important that any work plan would not prevent industry parties from raising their own modifications and change proposals.

In addition, it should be recognised that administrators of codes are not the source of market innovation and thus any arrangements need to be flexible.

**Question 4: Do you agree that charging modifications which are 'not material' (in line with self-governance criteria) should be progressed through the self-governance route?**

If the proposals are not material then, yes.

**Question 5: Do you agree that bringing all current charging methodologies forums under DCUSA governance could help to improve stakeholder engagement and increase the consistency of processes for charging modifications?**

General greater consistency is to be welcomed; however the sheer complexity for non-DNO parties of the charging methodologies may continue to inhibit engagement.

**Question 6: Do you agree that having a panel sponsor would help the DCUSA Panel better understand the origins of charging modifications and the DCUSA Panel would be more accountable for, and engaged with, efficiently progressing them?**

We agree.

**Question 7: Please set out any other proposals you may have for improving the governance for charging methodologies under open governance arrangements.**

We have no other proposals.