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16th December 2015

Dear Marion,

Re: Code Governance Review (Phase 3): Initial Proposals

The Smart Energy Code (SEC) Panel welcomes the opportunity to respond to Ofgem's consultation on the *Code Governance Review (Phase 3): Initial Proposals*. This response represents the collective views of the SEC Panel.

The Panel supports Ofgem's proposals to improve existing code governance arrangements and provide greater consistency and coordination across the codes. Our response to each of the four proposed reform areas, including the areas where we would welcome further clarification from Ofgem, are outlined below.

Significant Code Reviews (SCRs)

Although the SEC Modification Process is currently restricted, the Panel are supportive of the proposal to introduce a more integrated approach for developing and delivering SCRs. The Panel also recognises the merits of Ofgem having the ability to provide a steer on timetabling of code changes under the SCR process. However, clear guidance will be required around how and in which circumstances such processes will work in order to ensure all code panels, parties and code administrators are available and are able to fully engage in the proposed SCR process.

Self-Governance

Although benchmarking is not possible from a SEC perspective at present, the Panel considers there is merit in any reform that encourages self-governance as the default process, where appropriate.

The Panel would be supportive of SECAS working with Ofgem and other code administrators to develop any required code and/or process changes, including any relevant guidance on materiality criteria.

Code Administration

Critical Friend

The Panel agrees that updating and expanding the Critical Friend guidance within the Code Administration Code of Practice (CACoP) or as a companion document, would encourage greater

consistency between code administrators, particularly in relation to the services provided under the Critical Friend role. The SEC already has a dedicated page on the website that hosts the CACoP and a guidance document, explaining the services that are being provided by SECAS. This approach should be encouraged across all industry codes to ensure greater consistency and transparency for code parties.

On behalf of the Panel, SECAS has been proactive in ensuring compliance with the CACoP Principle 1¹ requirement to the extent it has been possible to do so. Examples of current work include the development of simple guides to the SEC Modification Process and specific guidance on the role of SECAS as a Critical Friend² which are all available on the SEC Website³. The Panel has also been proactively engaging with Parties, through the delivery of SEC Seminars and workshops, provided by SECAS.

Role of Code Panels

The Panel agrees that a more strategic approach for managing change and cross code coordination, across the industry should be adopted. The Panel already provides forward looking work plans⁴ and could extend the scope of these when the SEC Modification Process is fully activated.

Independence Requirements

The Panel recognises the industry benefits of independent panel chairs. The SEC already makes provision for independent chairs for the SEC Panel and SEC Sub-Committees with the exception of the SEC Change Board which is chaired by the code administrator. We believe the current arrangements are working well under the SEC.

The Panel would like to request clarity on whether the proposed independence criteria would only apply to the Panel or also extends to the Change Board. The Change Board composition was designed to capture the views of the different SEC Party categories in an equal manner. If the independence proposals applied to the Change Board, the make-up and membership of this Panel Sub-Committee may require changing.

Identifying Consumer Impacts

The Panel note the consideration of having the consumer impact of a Modification Proposal assessed during the Modification Process. A number of the SEC Objectives capture the consumer aspect of smart metering and the facilitation of consumer benefits. When assessing the impact on consumers during the Modification Process, these Objectives could be used as the basis for such an assessment.

Charging Methodologies

The pre-modification process under the SEC is yet to be established. However, the Panel believes that pre-assessments are invaluable and should be encouraged across all modification types and codes, where practical. The Panel also believes that the use of pre-modification processes, should still have a degree of flexibility and not preclude the ability of the persons able to raise a Modification Proposal to do so without first having to go through any pre-modification process.

We would welcome the opportunity to engage and support Ofgem in the development and implementation of proposals affecting the SEC.

¹ CACoP Principle 1 (Code Administrators shall be critical friends).

² [Guidance documents on the SEC Website.](#)

³ [CACoP page on the SEC Website.](#)

⁴ Forward looking work plans in the form of the SEC Panel Activity Planner.

If you would like to discuss our response, please contact SECAS in the first instance on 020 7090 7755 or secas@gemserv.com.

Yours sincerely,



Peter Davies
SEC Panel Chair