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Dear Lesley

Code Governance Review (Phase. 3): Initial Proposals

Thank you for the opportunity to respond to your initial proposals for Phase. 3 of the Code Governance Review (CGR).

Our response has been structured around each of the questions raised in your consultation and with the purpose of assisting ease of reference when comparing responses from other industry participants.

## CHAPTER: Two

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?

SGN response:

Yes, we feel that it would be beneficial for Ofgem to lead this process as long as full industry engagement and involvement is obtained at all relevant stages and levels of authority.

If codes are merged/re-written in future, it would also be worth considering drastic simplifications of code. This may result in only key rules/obligations being retained in legal text while all processes and detail is removed and instead held as industry governed documents in plain English.

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?

SGN response:

We consider this should only be done in full cooperation with industry, both in terms of relevant code and process/system implementation. In the past we have seen dates set by Ofgem which have not been realistic and hence resulted in perceived delays to delivery.

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

SGN response:

We have no further comments on the licence drafting at this stage.

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

SGN response:

Ofgem may consider this to be appropriate in circumstances where it does not believe that industry can or will deliver the desired modifications and legal text.

However, clarity would be required on the role of Panels and Ofgem itself in these cases, as it is not clear what the purpose of a Panel recommendation would be for modifications drafted and approved by Ofgem.

Under these circumstances it will be important for Ofgem to ensure that due regulatory and legal processes are adhered to at all times, particularly as this would set a precedent for a single body to approve modifications that it itself has raised.

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

SGN response:

We do not have any other proposals for changes to the SCR process.

## 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?

SGN response:

Yes. We are fully supportive of self-governance procedures and welcome this change to processes.

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?

SGN response:

We consider that guidance on the materiality criteria would be important moving forward.

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?

SGN response:

Yes. We would support this being developed jointly across the industry under CACoP.

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

SGN response:

We have seen several cases recently where the status has changed during the development process of the modification. This has required several panel votes which is clearly not efficient. An option could be to require the self-governance status to be set later in the modification process, perhaps at the workgroup report stage, as this would then reduce the number of discussions and Panel votes on the issue(s) being considered.

## 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?

SGN response:

Yes, we agree that this will help although we have only positive experience of the critical friend activities for the UNC, SEC and SPAA.

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.

SGN response:

We would suggest that guidance could be given to new participants to the market when they receive their licences from Ofgem. This guidance could include links to the relevant websites as well as a description of the critical friend activities and support available.

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

SGN response:

We consider this to be a sensible suggestion that will aid change processes.

The change process should also consider a single consultation distribution list and governance. For the recent changes introduced, we witnessed consultations from UNC, SPAA and SEC (with dual fuel organisations receiving significantly more).

In our view, there should also be a single consultation across all codes to prevent duplication.

Question 4: How often should the CACoP be reviewed?

SGN response:

We consider an annual review of the CACoP to be 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?

SGN response:

Yes - we consider this would greatly improve the visibility of the CACoP.

Question 6: How could the quantitative metrics be improved?

SGN response:

We have no specific recommendations for improving the quantitative metrics.

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?

SGN response:

We consider this would be very helpful.

If Code Administrators (CAs) stay separate, then an annual rota could be put in place for CACoP administration which is shared across all CAs.

The CA who has responsibility for any given year could then carry out the relevant activities such as consultation circulation and surveys.

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

SGN response:

Yes we agree this should be standardised across all codes, although this will be a significant piece of work considering the different make-up of Panels and change boards across codes.

If standardisation is achieved, it must be done with full industry consultation to ensure that best practice and efficiencies are put in place and realised.

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

SGN response:

We do not consider that this is necessary and may actually be detrimental.

This is because a formal link to industry is useful for an understanding the root causes and ramifications of certain issues. It should also be noted that independence comes at significant cost to industry parties.

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

SGN response:

Yes we agree this is important.

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

SGN response:

We have no comment as this is not an issue for the gas industry.

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

SGN response:

Yes, as independent chairs for workgroups would only add further costs to industry.

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

SGN response:

We consider this would be very helpful.

We also consider that full costs benefit analysis should also be required for any changes requiring extensive process/system changes.

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

SGN response:

We do not have any comments to offer on these proposals.

## CHAPTER: Five

Question 1: Should all 'material' charging modifications proceed through pre-modification processes and demonstrate some initial evidence against the relevant charging objectives prior to being formally raised?

SGN response:

As Ofgem is aware, we have recently raised a UNC modification to encourage pre-modification engagement for all modifications to the code.

In our experience, we have found this to significantly reduce the time spent developing the modification through greater industry support. We are fully supportive of all modifications being subject to this 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?

SGN response:

Yes we consider they can.

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

SGN response:

This may be useful in prioritising key areas. However, this must not stand in the way of modifications being raised at any time.

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?

SGN response:

Yes we agree with this approach.

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?

SGN response:

We have no comment as this is not an issue for the gas industry.

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?

SGN response:

We have no comment as this is not an issue for the gas industry.

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

SGN response:

We have no further recommendations to make at this stage.

Should you require any further information with regards to our response then please do not hesitate to contact me at [paul.mitchell@sgn.co.uk](mailto:paul.mitchell@sgn.co.uk) .

Yours sincerely,

Paul Mitchell  
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