



SPAA Ltd.
Ground Floor
Grafton House
2 - 3 Golden Square
London W1F 9HR

Tel: 020 7432 3005
Fax: 020 7432 3015
www.spaa.co.uk

Lesley Nugent
Industry Codes & Licensing Team
Ofgem
9 Millbank
London
SW1P 3GE

18 December 2015

Dear Lesley,

Code Governance Review (Phase 3): Initial Proposals

The SPAA Executive Committee (EC) has reviewed the initial proposals for the third phase of the Code Governance Review (CGR3). Its response to the proposals is below.

In the main, the EC recognises the need for change in the way the codes are administered and governed, in particular to support the large scale industry projects such as smart metering and central registration.

However, EC members are concerned that the element missing from the CGR3 proposals is the detail about the problems that Ofgem is seeking to resolve. This is key, because understanding the issues will allow the most appropriate solutions to be identified. The EC would also look for any new approaches that increase costs to SPAA Parties to be balanced against benefits from improved efficiency and effectiveness.

The most significant impact would be from the suggested changes to voting on modifications (from Party voting to panel decision); alignment of the change process with that in other codes (including the look and feel of documentation); and an independent panel chair.

Voting

Ofgem is recommending that modifications to the SPAA are decided by a panel. It is not clear what it is about the current party voting model that concerns Ofgem. Additionally, the way other panels decide on code modifications are not exactly the same, therefore it is not clear which model Ofgem would recommend the SPAA follows, and whether a dedicated change board would be acceptable. The EC considers parties must be able to fully contribute to development of modifications, whichever process is used.

Alignment of change process

The EC recognises that the SPAA change process is not as transparent as it could be. For instance, much of the work that goes into developing a modification is done before it is raised.

This could be a barrier to stakeholders that are less routinely engaged in SPAA business, in understanding and contributing to development of the modification. Work is underway to increase transparency, and the EC also supports further alignment of code modification processes such as standardization of modification documentation (as far as is appropriate). However, it should be noted that due to the scope of the code, SPAA changes are often not of a magnitude as those in other codes (e.g. concerning Settlement or charging methodologies). Rather, they describe how parties interact with each other; important but not generally of a material nature to parties' operations and expenses.

The SPAA provides a change mechanism for the Meter Asset Manager Code of Practice (MAMCoP). The modification process was designed to follow the SPAA process as far as practical, but does have some different elements that suit the nature of the MAMCoP governance (e.g. only MAMs vote on the changes, and the MAMCoP Change Board oversees it instead of the SPAA Change Board). It is not clear if the MAMCoP change process should also be aligned with that of other codes in the CGR3 proposals.

Independent chair

The EC noted the proposal for the panel (the EC in the SPAA) to have an independent chair, however the Competition and Markets Authority (CMA) did not raise an adverse effect on competition (AEC) about panel composition. Therefore it is not clear what weaknesses or failings Ofgem sees in the current approach. Appendix 1 lists the chair of the main SPAA committees and working groups currently.

The SPAA EC members support the aim of the CGR3 review, and would welcome the opportunity to engage further with Ofgem on the initial proposals, in particular the items highlighted in this response.

Yours sincerely,

Adam Carden
SPAA EC Chair

Appendix 1 – SPAA chairs

Appendix 1 – SPAA chairs

Group	Chair
Executive Committee	Elected SPAA EC Member
SPAA Board	Elected SPAA Board Member
Finance, Audit and Commercial Committee	Elected SPAA Board Member
Change Board	Code Administrator
SPAA Expert Group	Code Administrator
MAMCoP Board and MAMCoP Change Board	Accredited MAM
SPAA Gas Prepayment Expert Group	Working Group Member
AGM	Elected SPAA Board Member
SPAA Forum	Forum member (SPAA Party)
Smart CoS Meter Read Sub-Committee	Working Group Member
Theft Code of Practice Review Group	Code Administrator
Schedule 25 Review Group	Code Administrator