

## **Industry Code Governance**

Workshop session

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ofgem

**Today we would like to hear your views on our proposals for implementing the CMA's remedies for Code governance reform**

- **Share views & ideas on the consultation proposals**
- **Help further develop our proposals on the strategic direction, consultative board and roles and responsibilities of code participants**
- **Develop a common understanding of some of the practical issues**
- **Clarify any areas of misunderstanding**
- **Help inform consultation responses**

10:00	Welcome	Anthony Pygram
10:15	Ofgem overview	Laura Nell
10:30	Stakeholder session	
	An industry perspective	Adam Carden (SSE)
	An independent perspective	Nigel Cornwall (Cornwall Insights)
	A consumer perspective	Stew Horne (Citizen's Advice)
11:30	Panel session	All
<b>12:15</b>	<b>Lunch and networking</b>	
13:00	Working session 1: the strategic direction	Jemma Baker
13:30	Working session 2: the modifications process	Lisa Martin
14:45	Working session 3: the consultative board	Rory Edwards
15:15	Wrap up	Anthony Pygram

### The CMA remedies are very high level

Our initial consultation is the first step at filling in the detail. There are many areas left to our discretion – eg codes to be licensed, role of consultative board.

#### Strategic direction

- We proposed to introduce the strategic direction in 'draft' form for year one on a voluntary, non-binding, basis.
- If the strategic direction is successful, strategically important modifications will be raised by industry rather than Ofgem.
- We are seeking views on content for the initial version and how it should be developed and implemented

#### Consultative board

- From the outset we propose to focus its role on operational co-ordination of strategic cross code changes
- This would include delivering and monitoring the joint industry plan
- Over time the board would transition to a more strategic role
- We're seeking views on the proposed role and remit.

#### Licensing

- We propose to enhance the code administrator role and create licensed 'code managers'
- A role for competitive tenders to appoint new code managers.
- Stagger award of licences starting in late 2019 - big dependency on BEIS legislation.
- Consider which licence model can be used for each of the codes.

**Which codes will be covered by the remedies / new arrangements?**  
The CMA left us discretion here - our starting point is that the codes and delivery systems in groups 1, 2 and 4 should be licensed

## Why 1, 2 and 4?

### 1. Strategic change

Highly likely that all have scope to materially impact the delivery of strategic change. Eg. The BSC, UNC (and others) impact the delivery of the Faster Switching Project, all electricity codes impact the implementation of the European Network Codes, the UNC impacts the delivery of Nexus, the CUSC impacts the Flexibility project, etc.

### 2. Volume and Scale

Many have a high number of modifications and/or have modifications with a wide reaching impact. This requires significant resource to assess and implement.

### 3. Scope of code

Most are either very broad in scope or have a wide ranging influence.

\*National Electricity Transmission System Operator

1	2	3	4	5
NETSO* codes	Non-NETSO codes	Other codes, agreements and standards	Central System Delivery Functions	Wider delivery Functions
CUSC STC GC	BSC UNC SEC DCUSA SPAA DC MRA iGTUNC	All those currently outside the CACoP (e.g. SQSS, SMICoP)	System delivery of: BSC UNC SEC	Other system delivery functions (e.g. Data Transfer Service, TRAS, ECOES or MPAS)

**PLUS** These are within scope of the Code Administrators Code of Practice **&** Groups 2 and 4 have multiple code owners. It would be beneficial to ensure there is a single line of accountability between the code manager and Ofgem acting in the interests of consumers.

**We have discussed our current thinking with many of you.....**

**1. Why are changes required?**

- Lack of single responsible body for delivering the consumer / public interest
- The current model does not facilitate wide scale changes

**2. It's not clear what the objectives are**

- A coherent vision for strategic change and clearer lines of accountability for delivering it

**3. These changes can be achieved without licensing**

- Licensing will deliver the change in vires needed, we are open to hearing your alternatives

**4. There is already too much change happening**

- These changes will better facilitate future industry changes

**5. There is a lack of clarity on roles & responsibilities**

- We will be spending time today exploring the new roles & responsibilities

## WS 1

### Licensing

#### ACTIVITY

- Design of new regulatory regime for code management.
- Design and implementation of competitive licensing process

#### TIMING

- Highly dependent on BEIS legislation
- With legislation this year, the first licences could be awarded in late 2019

## WS 2

### Strategic Direction

#### ACTIVITY

- Define what strategic direction for codes should contain
- Decide how it should be maintained
- Decide what stakeholders' responsibilities should be

#### TIMING

- Consult on draft in Sep 2017
- Set first strategic direction in Dec 2017
- Review point a year later

## WS 3

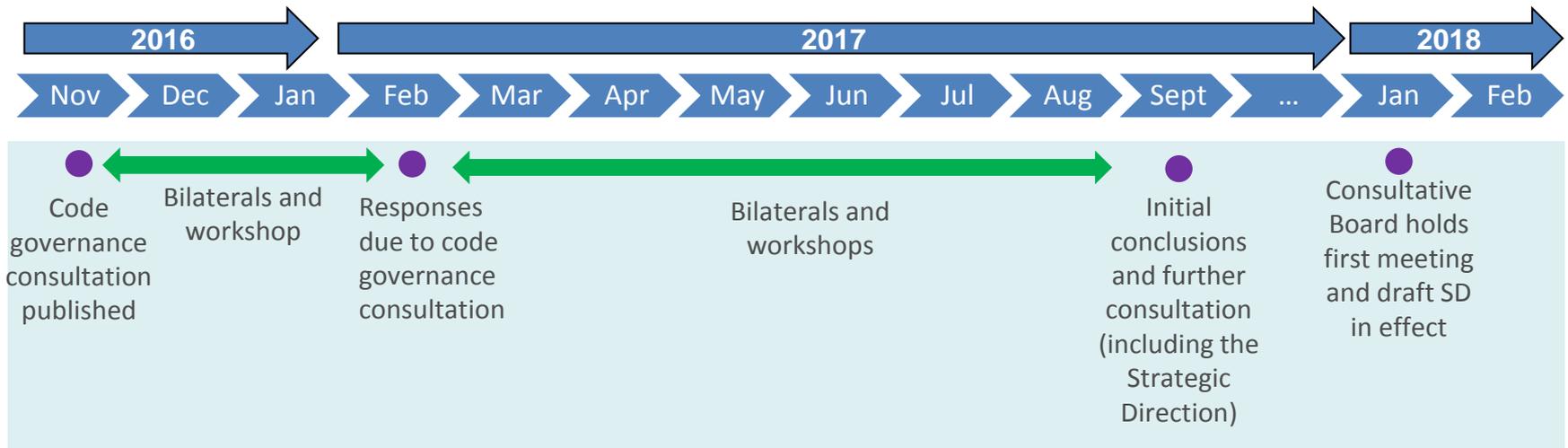
### Consultative Board

#### ACTIVITY

- Define roles and responsibilities of the board
- Agree composition and terms of reference
- Set up and run meetings

#### TIMING

- Conclude on roles and responsibilities in Summer 2017
- First meetings to be held in early 2018



- Initial conclusions in September, with further consultation in some areas
- An immediate priority for us is to develop the strategic direction and establish a Consultative Board
- Longer term, we intend to review the functioning of the Strategic Direction and the Consultative Board in the autumn of 2018

- Consultation closes 1 February – please send your response to [CodeGovRemedies@ofgem.gov.uk](mailto:CodeGovRemedies@ofgem.gov.uk)
- If you would like to talk to us before then, please get in touch [Laura.nell@ofgem.gov.uk](mailto:Laura.nell@ofgem.gov.uk) (020 7901 7147)

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