

Laura Nell
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By email to: CodeGovRemedies@ofgem.gov.uk

1 February 2017

Dear Laura

Industry Code Governance: Initial consultation on implementing the Competition and Markets Authority's recommendations

This letter should be treated as a consolidated response on behalf of UK Power Networks' three distribution licence holding companies: Eastern Power Networks plc, London Power Networks plc, and South Eastern Power Networks plc.

We are supportive of the need for change in this arena. The current systems and processes are stretched by the growing need for coordination across the industry to deliver the volume of changes we are seeing.

We have set out our feedback to your questions in the Appendix to this letter.

I hope that you will find our comments helpful. If you have any questions, please do not hesitate to contact me.

Yours sincerely



James Hope
Head of Regulation & Regulatory Finance
UK Power Networks

Copy: Paul Measday, Regulatory Returns & Compliance Manager, UK Power Networks

Appendix

Chapter 2

Question 1: Do you agree that the codes and functions we have identified (ie. the codes within the scope of the CACoP and their associated central system delivery functions) should be within scope of the new regime?

We agree with the codes and functions identified but draw your attention to feedback on later questions regarding implementation order.

Question 2: Are there any other codes or systems that should be within scope and if so please give your reasons?

We believe the scope is correct but should be kept under review as work progresses to ensure it stays valid.

Question 3: Are there any other factors you think we should consider when making this decision?

Please see our answer to question 2.

Chapter 3

Question 1: What are your views on our proposed approach of including the code manager and delivery body function in a single licence?

Incorporating the code manager and delivery body function in a single licence should help drive efficiency and potentially simplification with fewer hand offs between parties.

Question 2: What are your views on strengthening the licence of NGET to include new code management requirements rather than holding a tender to identify an appropriate code manager?

We believe that NGET's view should be a key consideration as it would be their licence which would be amended under this proposal.

Question 3: What are your views on the merits and drawbacks of the four identified models for competitively licensing code management where applicable?

We agree with the CMA that model 3 (Ofgem tender for sole provider) is on balance the best option. However, care needs to be taken to avoid potential overkill for smaller codes as having one model for one code and a second model for another code could make it more complex.

Question 4: What are your views regarding which model(s) may be appropriate for different codes, or types of codes?

Please see our answer to Question 3.

Chapter 4

Question 1: Do you agree with the purpose of the strategic direction?

We support the purpose of the strategic direction.

Question 2: Do you have any views on how the strategic direction should be developed and implemented?

Our concern in this respect is to ensure the strategic direction is developed soon mindful of the scope and volume of change the industry is expected to facilitate in 2017/18. With this in mind we welcome the reference in your consultation to publishing a draft in Autumn 2017

Question 3: How much detail do you consider should be included in the strategic direction?

The strategic direction should contain sufficient detail to be of use to those working in this arena, without becoming an unduly long document.

Question 4: Which specific projects do you consider should be included in the initial strategic direction?

At this stage we have no strong views on this point.

Chapter 5

Question 1: What do you see as the core role and functions of the consultative board?

We believe that the key functions that the consultative board must have are direction setting and gap/overlap spotting. Ofgem have set out its view of the role and remit of the consultative board in the consultation, whilst this clearly includes direction setting, we think that gap/overlap spotting should be brought into scope.

Chapter 6

Question 1: What are the main impacts of the proposed new arrangements on existing projects?

One point of note in this is that the majority of the code bodies will have existing contracts in place and it is unlikely the (contract) break points will coincide with the implementation of the proposed new arrangements.

Question 2: Would Ofgem's enhanced powers over strategically important modification proposals mean that our Significant Code Review (SCR) powers will be obsolete, and will the new powers form an effective substitute? Please explain your reasoning.

From the explanation given in the consultation it appears that SCR powers will in due course become obsolete. Once the implementation of the CMA's recommendations has progressed towards delivery it would be sensible to take a step back and ensure that before the SCR powers are switched off there are no gaps in the new powers. Assuming there aren't any gaps, then to avoid duplicate powers we believe that the SCR ones should be removed.

Question 3: What are your views on staggering the implementation of competitive applications for licences?

We believe that Ofgem should consider lessons learned from the implementation of the DCC licence. Further, should timescales and the ability to split scope allow, we would be supportive of piloting the proposal for a code which is self-contained to identify lessons learned before change is applied to the whole industry.