

To: All holders of an electricity distribution licence

**Electricity Act 1989
Section 11A(2)**

Notice of statutory consultation on a proposal to modify Standard Condition 20 of all electricity distribution licences

1. The Gas and Electricity Markets Authority ('the Authority')¹ proposes to modify the standard conditions of all electricity distribution licences granted or treated as granted under section 6(1)(c) of the Electricity Act 1989 ('the Act') by amending Standard Condition 20: Compliance with core industry documents ('SLC 20') in the manner set out in Schedule 1 to this Notice.
2. The reason why the Authority proposes to make this modification is in summary to facilitate the implementation of, and thereafter electricity distributors' accession to and compliance with, the Retail Energy Code, which we expect to give effect through designation in early 2019. The Retail Energy Code will provide governance for the new faster, more reliable switching arrangements, particularly those involving the new Central Switching Service. We also anticipate that the Retail Energy Code will in due course provide simpler, more effective governance of the wider gas and electricity market arrangements.
3. We are also proposing to place a duty on electricity distribution licensees, along with other holders of licences granted under the Gas Act 1986 or Electricity Act 1989, to cooperate with the Authority or any person(s) appointed by the Authority, as may be required to give full effect to the conclusions of a Significant Code Review. The reason for this is to ensure a continuity of effective programme governance beyond the point at which the Authority may direct modifications to relevant licences and/or industry codes, through the design, build and test phase to the subsequent implementation of associated IT systems.
4. These reasons are set out further in the following documents published by the Authority:
 - a) Switching Programme: Regulation and Governance - way forward and statutory consultation on licence modifications - published 15 October 2018; and
 - b) Switching Programme: Proposed modifications to regulation and governance – published 5 June 2018.

These documents, together with copies of this proposed modification and any other documents referred to in this Notice have been published on our website (www.ofgem.gov.uk).

5. In summary, the effect of the modification is to:
 - a) add the Retail Energy Code to the list of Industry Codes to which the licensee is required to accede to and comply with;
 - b) add a duty to cooperate with the Authority in delivery of a significant code review; and,

¹ The terms "the Authority", "we" and "us" are used interchangeably in this document

- c) include definitions of new terms where appropriate.
- 6. Any representations with respect to the proposed licence modification must be made on or before **16 November 2018** to: Jon Dixon, Office of Gas and Electricity Markets, 10 South Colonnade Canary Wharf London E14 4PU9, or preferably by email to switchingprogramme@ofgem.gov.uk.
- 7. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.
- 8. If we decide to make the proposed modification, it will take effect not less than 56 days after the decision is published.

Rachel Clark,
Programme Director, Switching Programme
Duly authorised on behalf of the Gas and Electricity Markets Authority

15 October 2018

Schedule 1 - Proposed modification of Standard Conditions 1 and 20 of the electricity distribution licence

We propose to add:

Standard Condition 1: Definitions for the standard conditions

Retail Energy Code means the Retail Energy Code that is provided for in standard condition 11B (Retail Energy Code) of the Electricity Supply Licence.

and modify:

Standard Condition 20: Compliance with Code Industry Documents

20.3 The licensee must be a party to and comply with:

- (a) the Balancing and Settlement Code;
- (b) the Connection and Use of System Code;
- (c) the Distribution Connection and Use of System Agreement; ~~and~~
- (d) the Master Registration Agreement; ~~and,~~
- (e) the Retail Energy Code;

from:

- 1) the earlier of:
 - a. the date on which it offers to distribute electricity, ~~or~~
 - b. the date on which it begins to distribute electricity in Great Britain,

or

- 2) the date on which that code takes effect, as the case may be.

insert:

Duty to cooperate

20.10 The licensee will cooperate, as necessary, with the Authority and/or any person(s) appointed by the Authority or appointed pursuant to a direction of the Authority, to undertake any planning, project assurance and/or coordination/systems integration in order to give full effect to the conclusions of a "significant code review".

20.11 Cooperation for the purposes of condition 20.11 may include but not be limited to:

- a) the sharing of such information as reasonable, and constructive participation in industry engagement in order to undertake appropriate planning of changes to IT systems or industry standard operational processes system changes pursuant to the conclusions of a significant code review;
- b) the provision of such data as may be identified and reasonably requested in order to undertake testing and/or the population of any new central systems;
- c) the preparation and cleansing of such data as may reasonably be requested in order to facilitate live operation of the new central system;

- d) the provision of test scripts and results of any testing as may be requested by any person appointed to assure the success of any testing;
- e) all reasonable steps to:
 - i) meet key programme milestones for the completion of any action(s) assigned to the licensee;
 - ii) adhere to any remedial plan put in place to address any issues, delays or slippage that may impact the licensee's ability to meet programme milestones, to the extent that failure to do so may jeopardise the successful and timely implementation of the programme;
 - iii) identify any dependencies that the licensee may have upon agents or other third-parties and secure the necessary support from such parties; and,
 - iv) promptly escalate and/or resolve any disputes that if unresolved may jeopardise the fulfilment of these obligations.

and modify:

Interpretation

20.1012 In this condition:

The licensee's obligation to comply with a Core Industry Document or the Fuel Security Code is an obligation to comply with the provisions of that document so far as they are applicable to the licensee.

Core Industry Document means any and all of the following:

- (a) the Balancing and Settlement Code,
- (b) the Connection and Use of System Code,
- (c) the Distribution Code,
- (d) the Distribution Connection and Use of System Agreement,
- (e) the Grid Code,
- (f) the Master Registration Agreement,
- (g) the Revenue Protection Code,
- (h) the System Operator Transmission Owner Code, and
- (i) the Retail Energy Code, and
- (h) any other document designated by the Authority for the purposes of this condition following consultation with the licensee.

Fuel Security Code means the document of that name designated by the Secretary of State under section 7(4)(b) of the Act as a condition of every electricity licence of any type granted, or treated as granted, under section 6 of the Act.

Significant Code Review means a review of matters which the Authority considers are likely to relate to one or more of the documents referred to in this condition, or to which the licensee is required under this licence to be a party, and concerning which the Authority has issued a notice to the parties stating that the review will constitute a significant code review.