Introduction

Codes Governance Workshop
16 October 2015
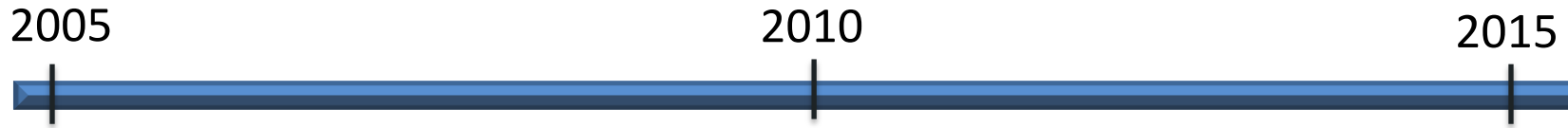
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History

2005   2010   2015

Code
Governance
Review
initiated
2007

CGR Phase 1
2008-2010

CGR Phase 2
2010-2013

Open letter on
further review
from Ofgem 2015

CMA Energy Markets
Investigation 2014-2016

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Issues

Barriers to smaller actors	Keeping up with policy agenda	Slowness/inefficiency
• Complexity and number of codes (1000s of pages) • Huge number of meetings and highly technical discussions • Governance arrangements (including voting) and process differs across codes • Multiple and differing collateral requirements • Varying levels of service by administrators and lack of oversight of compliance with CACoP • Big 6, NG and DNOs dominate panels and working groups and in some cases voting	• Processes not sufficiently flexible (and lack the *vires*) to ensure codes reflect huge changes happening in industry • Consumer interests not sufficiently reflected • Code objectives not aligned with Ofgem's duties (e.g. no sustainability objective except for SEC)	• Takes far too long to get SCRs through (or indeed any major mod) • Cross-code changes difficult, lacks coordination and involves duplication • Poor quality analysis? • Duplication of analysis in SCRs?

CMA Energy Investigation Possible Remedies

- Remedy 18a - Make code administration and/or implementation of codes changes a licensable activity

- Remedy 18b - Grant Ofgem more powers to project-manage and/or control timetable of the process of developing and/or implementing code changes

- Remedy 18c - Appointment of an independent code adjudicator to determine which code changes should be adopted in the case of dispute

Ofgem Further Review

- **SCR**
  - Backstop power for Ofgem to draft mods, Panel only to make recommendation
  - Power to set a timetable for licensee to raise mod
- **Self-governance**
  - Make case why proposals should <u>not</u> be self-governance
  - Consistent guidance across codes to enhance use of SG route
- **Code administration**
  - More strategic/proactive management through forward work plans or managed change windows
  - All work groups to have an independent chair, and access to independent expertise in some circumstances
  - All mods to have section on consumer impacts
- **Charging methodologies**
  - More developed informal pre-modification process
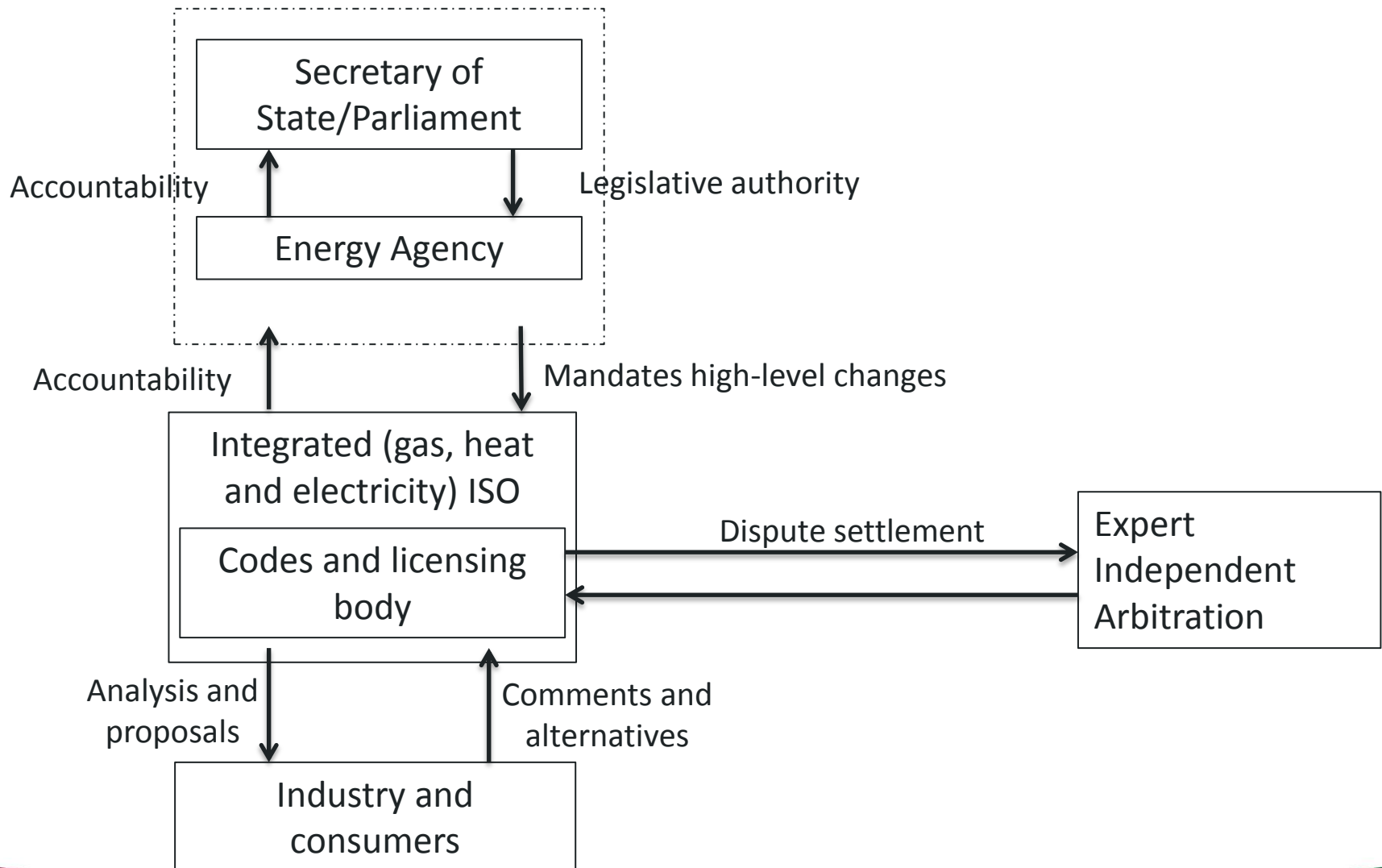 - Modification change window

Other proposals

Changes to codes	Consolidate (and simplify) codes	Citizen's Advice, Elexon., Good Energy, SSE
	New code objective on consumers	Citizen's Advice, Elexon, Good Energy
Changes to code modification and administration processes	Standardise governance arrangements to best practice across all codes (including independent panels, better representation for smaller participants etc)	EdF, Cornwall Energy, RWE npower, Ecotricity, Opus Energy, SSE, Gemserve
	Greater oversight of code administrators	EdF
Changes to governance architecture	Cross-code expert group (resuscitate Cross-Code Forum)	Elexon, First Utility, Opus Energy
	Single code administrator and/or centralised code management system	RWE npower, Cornwall Energy, Good Energy, First Utility, Gemserve
	Design Authority	EnergyUK, RWE npower, IET, Cornwall Energy, SSE, BG
	Independent adjudicator to replace Ofgem	RWE npower/Cornwall Energy

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Some principles for governance

- Meets the needs of a rapidly evolving energy system
- Open and transparent governance
- Acts in the public interest
- Considers sustainability
- Ensures investment

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Codes in the wider governance landscape

inside or outside of DECC?

Energy Policy Committee

DECC

Economic Regulation

Integrated Independent System Operator

Codes & License Body

Expert Independent Arbitration

Data

Market Monitoring

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A possible model for code governance

Aim for today

- As far as possible we want today's discussion to be at a high level

- Main aim is to seek some clear principles for reforming the code governance system and architecture, to make it fit for the needs of a rapidly evolving energy system

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Today's agenda

10.45 - 12.15   Session 1:
                       Simplification, consolidation and
                       administration

12.15 - 13.00   Lunch

13.00 - 14.30   Session 2:
                       Code Governance Architecture

14.30 - 15.00   Wrap up

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