

Email: codereform@beis.gov.uk
Email: industrycodes@ofgem.gov.uk

Telephone: 01179 332203
E-mail: pbranston@westernpower.co.uk

Date
27 September 2021

Dear Code Reform – Electricity Systems Team and Industry Code and Licensing Team

Consultation on the Design and Delivery of the Energy Code Reform

I am writing on behalf of Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc, Western Power Distribution (East Midlands) plc and Western Power Distribution (West Midlands) plc in response to the above consultation.

We recognise the energy sector is undergoing a significant and exciting period of change as the UK works towards achieving a net zero carbon future. Western Power Distribution (WPD) is a Distribution Network Operator (DNO) and a Distribution System Operator (DSO), responsible for distributing electricity to eight million customers, and serving more than a third of the UK. The critical role we play in our society is changing. As well as keeping the lights on today, we are also committed to driving a more sustainable future. It is our mission to respond to the changing energy landscape needs and support the UK's ambition to achieve net zero carbon emissions by 2030.

We welcome BEIS and Ofgem's consultation on the role for stronger, strategic oversight and direction, which will be implemented through changes to the existing governance structures. It is important the changes deliver the necessary strategic vision and direction, and that there is clear accountability to ensure any change is in the interest of consumers.

Should you wish to discuss any aspects of our response please contact Gemma Slaney
gslaney@westernpower.co.uk.

This response is not confidential

Yours sincerely,



Paul Branston
Regulatory & Government Affairs Manager
Western Power Distribution



Consultation Questions

- 1. To what extent do you agree with our proposals on the licensing of a code manager for in-scope engineering standards, and why?**

We agree with the proposals that the engineering standards should be in scope and under the remit of a Code Manager as this will ensure clear ownership. We believe that it is necessary that the industry have good and effective guidance documents, and it appears sensible that this sit within the Code Manager function. We support the proposal on licensing as this will allow an appropriate amount of control, but also enough flexibility to allow for changes to strategies going forward.

- 2. What are your initial views on how central system delivery bodies should be regulated (including their relationship or integration with code managers and the extent to which licensing may be appropriate), bearing in mind this may be the subject of future consultation?**

We believe that whilst the central system delivery bodies and Code Managers need to have a close relationship, there needs to be a certain level of separation to avoid any conflict of interest. We acknowledge that there will be detailed considerations in this area, and welcome further information to better understand the options and specific roles. Our current view of the central system and delivery bodies and code manager role means that we believe that the two roles should not be integrated, although we recognise that they will need to work closely together. By keeping the two separate, it will allow for separate licensing and ensure that there is both flexibility and control for the strategic function.

- 3. To what extent do you agree with the detailed roles and responsibilities of the strategic function, as set out above, and why?**

We agree with the proposed role of the strategic function, with it being independent with clear government direction, however in practice many developments are raised by other stakeholders (e.g. Network Operators, equipment manufacturers, customers etc.), and whilst these often feed into government strategy, we feel it is important that the views of these stakeholders continue to influence the codes and standards. We also believe that this role needs to be separate from the code manager function. We feel that whilst the strategic function should oversee change, they should not become directly involved in the change process unless under specific circumstances, such as when the change impacts the strategic direction. Consideration needs to be given to the funding and resource given to this function to ensure that it is adequate from the beginning.

- 4. To what extent do you agree with the roles and responsibilities of the code manager function as set out above, and why?**

We somewhat agree with the proposal for the code manager function. We are concerned about a conflict with the Code Manager being able to both raise and vote on changes, and think this needs careful consideration. We support the proposal that the Code Manager can refuse to accept a change under specific circumstances. Serious consideration is required about ensuring

that there is enough industry and expert input into the various decisions being made. We also look forward to further details being provided to ensure that the processes don't require 'doubling up of efforts', with parties requiring they have expertise to understand what is happening and the code manager function then also requiring the same expertise.

5. To what extent do you agree with the proposed roles and responsibilities of stakeholders as set out above, including the role of the stakeholder advisory forum, and why?

We agree that there definitely needs to continue to be stakeholder input and buy in, and the advisory forum sounds like an option that might address this, however we feel it is unclear exactly who will be involved, how advice will be sought and considered and when this forum would be utilised. Also there might be a need for input for different members depending on the type of change and the experience and knowledge required.

6. In relation to option 1, where Ofgem would be the strategic body, to what extent do you agree with our proposals on how decisions by the code manager would be overseen by the strategic body with, as a minimum, existing appeal routes retained and moved to the strategic body?

We believe that this option is similar to existing processes and therefore would ease transition. Appropriate consideration will need to be given to the resource of this function to ensure that changes/appeals are not delayed due to a resource issue.

7. In relation to option 2, where the FSO would take on the role of the IRMB, to what extent do you agree with our proposals on how relevant decisions by the code manager function would be appealable to Ofgem, with a potential prior review route via an internal body?

If the FSO were to take on the role, the proposal seems appropriate, however we are still concerned about how clear the divide between strategic function and code manager function would be within this option.

8. Do you have any views on the two proposed options for appealing decisions made by Ofgem on material code changes in option 1 (with Ofgem as the strategic body) and option 2 (with the FSO as the IRMB)?

We believe that the existing appeals processes are appropriate and therefore believe that allowing appeals via either judicial review or the CMA should remain. Clear guidance should be provided so that acceptable grounds for appeal are known and understood to avoid unnecessary appeals being raised.

9. Do you have any thoughts on other potential appeal routes?

No.

10. To what extent do you agree with the proposed operating model and accountability structure for Ofgem as the strategic body, and why?

We agree with the proposed operating model and accountability structure, as it is similar to existing processes and transition would be smoother. We also feel it is essential that processes are put in place to allow Network Owners, Network Operators, equipment manufacturers and

other stakeholders to discuss and potentially influence the strategic approach.

11. To what extent do you agree with the monitoring and evaluation approach for Ofgem's performance as the strategic body, and why?

We support the proposal that Ofgem's performance as the Strategic Body should be monitored, with reports showing progress against the plan and Strategy and Policy Statement (SPS). We also support engagement from stakeholders and Code Managers to help understand and evidence the performance.

12. To what extent do you agree with the ways we propose that the strategic body select code managers, and why?

We believe that when appointing the Code Managers, consideration on suitability and experience needs to be considered, alongside costs. There are benefits to a competitive tender process to help ensure the most suitable option is selected for the role. It is essential that the Code Manager have enough industry knowledge to fulfill the role, as well as ensuring continued industry engagement. They also need to remain impartial with no conflicts of interest.

13. To what extent do you agree with our proposed approach to code manager funding, and why?

Allowing flexibility of budget due to potential changes to the strategic direction should be considered. If the funding will be through charges levied on code parties, we agree that it is essential for stakeholders to be able to scrutinise and respond to the Code Managers budget.

14. To what extent do you agree with our proposal that the strategic body should be accountable for code manager budgets, and why?

We understand the proposal for the Strategic Body to be accountable for the Code Manager budgets as the Code Manager role will be closely linked to the strategic function, however we want to ensure that there is appropriate stakeholder input during the process, to ensure that performance and service are meeting the requirements. We believe that the Code Manager should be funded by an annual fee that reflects the resource and work plan and not the number of changes raised.

15. To what extent do you support the proposed operating model and accountability structure for option 2, where the FSO takes on the role of the IRMB, and why?

We do not support the proposed option 2. We believe that the strategic function and the code manager function should be kept separate. We are concerned that there will not be a clear enough divide between the two roles, which could cause conflict of interest.

16. Overall, which of the two options do you think would be best placed to reform code governance, and why?

Option 1 is our preferred option. It ensures a strong divide between the strategic function and code manager function, with clear roles and responsibilities assigned to each. Not only would it be able to be implemented quicker, it will also offer a smoother transition as there are elements that mirror current processes. There is access to all stakeholders as well as clear accountability.

It also allows flexibility to adapt which we believe is important as the industry moves forward. We also note that there is still a lot of work and detail to confirm and look forward to seeing further proposals going forward.

NB: The following three questions relate to the impact assessment on the code reform that is published along with this consultation. Please only answer the questions below if you have read the Impact Assessment.

- 17. To what extent do you agree with our estimated costs for the new code manager function set out in the impact assessment, and why?**

No comment.

- 18. To what extent do you agree that the case studies included in the impact assessment are indicative of the major barriers facing code changes under the current system, and why? Can you provide further examples of when current code governance has resulted in either optimal or sub-optimal outcomes?**

No comment.

- 19. To what extent do you agree with the scale and type of benefits to industry estimated in the impact assessment? Are there further cost savings to industry that should be included?**

No comment.

- 20. Are there any other wider industry developments we should consider in relation to the implementation timeline? How do you think these could impact on code reform?**

We think that you have identified most of the relevant wider industry developments that required consideration, however we are also aware of a parallel project to combine and consolidate technical codes in accordance National Grid's T2 regulatory plan ambitions.

- 21. Are there any implementation issues, risks or transition considerations we should take into account? How could these impact code reform?**

We believe that the code reform should aim to ensure that codes are written in plain English wherever possible, with a consistent use of terminology. There should also be clear ownership given to supporting/guidance documents that support the codes currently, especially if these documents do not move to the Code Manager by default. We also believe that early sight of changes will help industry understand and transition in a smooth manner.

Industry engagement and support will be vital to the success of these proposals and therefore funding and resource needs to be appropriate for the task. We also feel that adequate timescales need to be allocated, given the complexity of the project, with contingency built in where appropriate.

- 22. We invite respondents' views on whether our proposals may have any potential impact on people who share a protected characteristic (age, disability, gender re-assignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual**

orientation), in different ways from people who do not share them. Please provide any evidence that may be useful to assist with our analysis of policy impacts.

No comment.

23. Do you have any other comments that might aid the consultation process as a whole?

No further comments.