

Distribution Code Consultation

DCRP/17/02: Align the Distribution Code and Distribution Code Constitution and Rules with changes to the SCR requirements

Target Audience: All Users of the GB Distribution System

Date Published: 17 January 2017

Deadline for responses: 17:00 On Tuesday 7 February 2017

As part of its third Code Governance Review, Ofgem seeks to introduce more flexibility to the GB [Distribution Code](#) (DCode) Modifications process following a Significant Code Review (SCR). The proposed changes include three routes for progressing an SCR's conclusions, with potential allowance to move between the processes. DCRP/17/02 seeks to align the DCode with the licence changes made by Ofgem to deliver these new processes.

The purpose of this consultation is to invite DCode stakeholders and other interested stakeholders to provide their views on the merits of the proposed modifications outlined in consultation DCRP/17/02. The Distribution Code Review Panel (DCRP) will then consider the consultation responses, before submitting a final report to Ofgem.

1. SUMMARY

Why Change?

Ofgem published its final proposals for [Phase 3 of the Code Governance Review \(CGR\)](#) in March 2016. These proposals included changes to Standard Licence Condition 21 (SLC21) of the [Electricity Distribution Licence](#). SLC21 creates three additional routes for taking forward the conclusions of a SCR. These changes are due to become effective from 31 March 2017.

Solution

Changes have been made to the Electricity Distribution Licence to deliver the new routes. A corresponding change to both the DCode and DCode [Constitution & Rules](#) is required to align it with the changes to SLC21.

Implementation

It is proposed that modifications DCode and DCode C&R contained in DCRP/17/02 will be implemented on 31 March 2017 to align with the activation of the Distribution Licence amendments.

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2. WHY CHANGE?

Why do we need to change the Modifications process?

In 2010, Phase 1 of Ofgem's Code Governance Review (CGR) implemented measures to improve the governance arrangements in three of the main industry codes that underpin the gas and electricity markets. In 2013, Phase 2 of the CGR extended many of the outcomes to the remaining industry codes (including the DCode).

In May 2015, Ofgem announced its intention to conduct Phase 3 of the review (CGR3). This was due to concerns that the code governance arrangements may still not be operating in the best interest of consumers. This was particularly in light of significant changes to the industry such as the roll out of smart meters, the low carbon transition and the European Union (EU) Third Energy Package.

Ofgem published its final proposals for Phase 3 of the CGR in March 2016. These proposals took into account feedback on the initial proposals as well as input from industry and Code Administrators' workshops. One proposal planned changes to the Distribution Licence, SLC21 to create additional routes for progressing the conclusions of a SCR. These changes are due to become effective from 31 March 2017

What is the issue?

In order to keep the DCode aligned with the Distribution licence, changes are required to DCode DIN 2.1 and section 21 of DCode Constitution & Rules to introduce the three new routes under which a SCR Modification can progress.

3. SOLUTION

Proposed solution

DCRP/17/02 proposes a modification to align the DCode with changes to the SCR requirements. It proposes to align the DCode DIN 2.1 and the DCode C&R with the changes to SLC21. The proposed changes will introduce three routes for taking forward the conclusions of an SCR. It is hoped that this will accelerate the change process and enable more efficient delivery of priority Modifications.

You can find a diagram summarising the possible routes in Appendix 1.

1. Ofgem directs licensee(s) to raise Modification Proposal(s)

This is the existing route by which changes arising from an SCR are progressed. At the end of the SCR process Ofgem would issue a direction to the DNOs to raise one or more SCR Modification Proposals to take forward the changes to the DCode. This direction may set out high level principles (with the detail to be developed by industry) or more specific, detailed conclusions to be given effect through code change(s). The Modification(s) would then follow the standard DCode Modification processes.

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2. Ofgem raises Modification Proposal(s).

At the end of the SCR process Ofgem would raise a Modification(s) itself, and would be the Proposer of that Modification(s). As with Route 1, the Modification(s) would follow the standard DCode Modification processes.

3. Ofgem leads an end-to-end process to develop code Modification(s).

The standard industry process would not apply. Ofgem would lead an end-to-end development and assessment of the solution to deliver its conclusions. As part of this, it would expect to consult and engage with the wider industry. Ofgem would expect close involvement of the industry; for example, it may establish and lead Workgroups similar to the approach under the standard code Modification processes (but led by Ofgem). At the end of this process, Ofgem would present a report to the DCRP laying out the solution(s) proposed by the process. They would then provide a recommendation on the proposed solution(s) developed (and if there were multiple solutions put forward then which one the DCRP preferred). This would then be delivered to the Authority for final determination. Please note that the standard appeal routes would still be available should the Panel recommendation and Authority determination differ.

4. Changing the Route of a SCR Modification

The proposed solution will enable the Authority to issue a Backstop Direction notice at any point during Routes 1 and 2, requiring the Modification(s) be withdrawn and the SCR Phase recommence. Ofgem could also elect to end progression under Route 3 and direct a Modification(s) be raised and progressed under Routes 1 or 2.

Are there any alternative solutions?

At this stage, the DCRP does not believe that there are any Alternative Modifications that it believes would better facilitate the Applicable DCode Objectives compared with the Proposed Modification.

Consultation Question 1

Do you agree that there are no other potential Alternative Modifications which would better facilitate the Applicable DCode Objectives compared with the Proposed Modification?

Please provide your rationale and if 'No' please provide full details of your Alternative Modification(s) and your rationale as to why it/they would better facilitate the Applicable DCode Objectives than the Proposed Modification.

The DCRP invites you to give your views using the response form in Attachment C

Legal Text

The proposed changes to DCode DIN 2.1 and DCode C&R section 21 can be found in Attachment A and Attachment B

Consultation Question 2

Do you agree that the draft legal text in Attachment A and B delivers the intention of SLC 21?

The DCRP invites you to give your views using the response form in Attachment C

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4. IMPACTS AND COSTS

Estimated central implementation costs

Estimated Central implementation costs of £300 (one ENA working day) will be required to make the changes DIN 2.1 of the DCode and section 21 of the DCode C&R.

Indicative Industry costs

There are no impacts anticipated for DCode stakeholders to implement this change. These changes will only impact DCode Code Administrator and the processes by which it manages and implements change following an SCR as detailed within DIN 2.1 of the DCode and section 21 of the DCode C&R.

Consultation Question 3

Will the proposed modification to DCode DIN 2.1 and section 21 of DCode C&R impact your organisation?

If 'Yes' please provide a description of the impact(s) on your organisation and any activities which you will need to undertake between the approval of P351 and the P351 Implementation Date (including any necessary changes to your systems, documents and processes). Where applicable, please state which of the roles that you operate as will be impacted and any differences in the impacts between each role.

Will you incur any cost in implementing the changes?

If 'Yes' please provide details of these costs, how they arise and whether they are one-off or on-going costs.

The DCRP invites you to give your views using the response form in Attachment C

Other Impacts

Impact on DCode Users

None expected

Impact on other Industry Codes

None expected

Impact on Code Administrator

Updates to DCode and DCode C&R to implement the new SCR routes.

Impact on Code

Impact on DCode and DCode C&R - Amendments to the legal text of both as drafted in Attachment A to implement the new SCR routes.

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5. IMPLEMENTATION

Recommended Implementation Date

The DCRP recommends an Implementation Date for the proposed modifications to DCode DIN 2.1 and section 21 DCode C&R of:

31 March 2017 if the Authority's decision is received on or before 1 March 2017;
This would align the implementation of the DCode changes with the go-live date of the changes to the Distribution Licence.

Consultation Question 4

Do you agree with the DCRP's recommended Implementation Date?

If No Please provide your rationale.

The DCRP invites you to give your views using the response form in Attachment B

6. NEXT STEPS

Responses to this consultation should be sent to the Distribution Code Review Panel Secretary at dcode@energynetworks.org by **17:00 Tuesday 7 February 2017** on the proforma provided expressly for the purpose.

For more information, please contact:

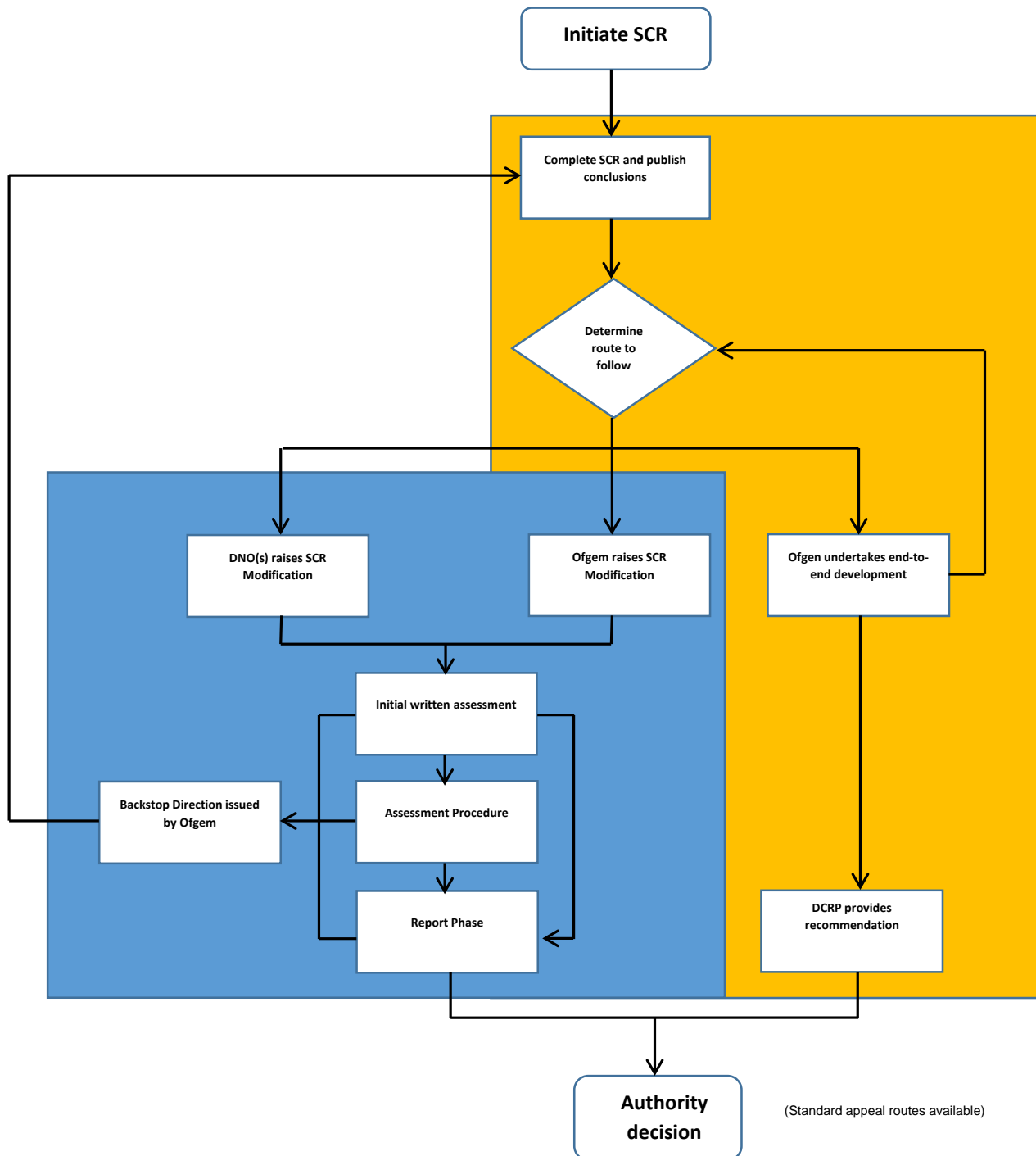
David Spillett – Code Administrator

020 770 65124

dcode@energynetworks.org

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APPENDIX 1 – Diagram of the SCR progression routes



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Appendix 2 - Associated documents referenced in DCRP/17/01 and included in the consultation pack.

- Attachment A
- Attachment B
- Ofgem's Code Governance Review Phase 3 Final Proposals – Decision on Licence modifications – 14 June 2016
- Consultation Response Proforma
- Distribution Code v27 – 1 January 2016
- Electricity Distribution Consolidated Standard Licence Conditions – 1 January 2017
- GB DCRP Constitution and Standard Procedures - September 2014