

# Code Governance Review

## 3 self-governance and SCR

Richard Pomroy drawing on previous work by Joint Office

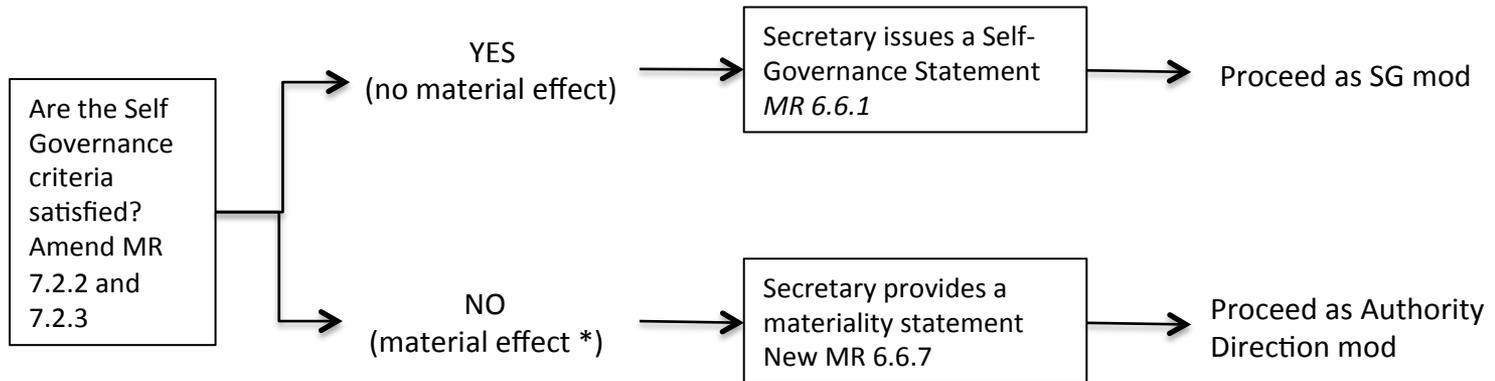


# Self Governance – final proposals

- Ofgem considered that the current criteria are appropriate in respect of assessing whether a modification should be self-governance. **No GT licence changes have been made as a result.**
- Modifications should be assessed as to whether they require an Authority decision – that is **why they are material.**
- UNC guidance on materiality will help a proposer come to a decision on the modification path the change should follow – expected to develop further as a result of work by CACoP.



# SG implementation



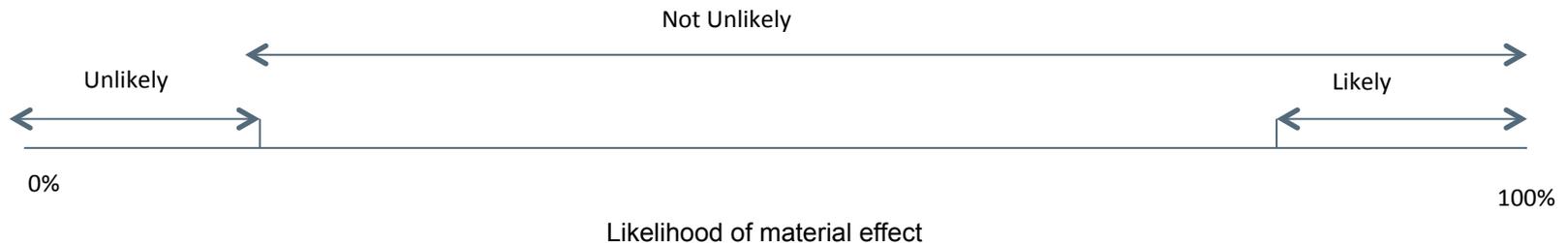
\* Refer to Self Governance Guidance for help: [www.gasgovernance.co.uk/mods](http://www.gasgovernance.co.uk/mods)

- Self Governance statement is a defined term in the Licence (referring only to qualification for SG) “means a proposals that, if implemented, is unlikely to have a material effect on...”
- Panel Opinion (materiality statement) will be provided where Authority Direction is required



# SG implementation explanation

- Test is that the SG criteria do not apply that is that the modification is “not unlikely” to have a material effect.
- Depending on the subjective probabilities individual panel members give to “likely” (for example probability of over 70%) and “unlikely” (for example probability of under 30%) there is a difference between “not unlikely” and “likely”.



# SG implementation explanation

- Using a double negative is difficult and so the approach adopted is to base the decision on whether the proposal is likely to have a material effect. Using the approach adopted means that
  - Proposals are pushed towards SG which is the intention of the final proposals
  - The Modification Rules are easier to understand and more likely to lead to consistent decisions by Panel



# SCR final proposals

- **1. Ofgem directs licensee(s) to raise modification proposal(s).** At the end of the SCR process we would issue a direction to the relevant licensee(s). Our 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 follow the standard industry code modification processes. [ASIS]
- **2. Ofgem raises modification proposal(s).** At the end of the SCR process we would raise a modification(s) under the relevant code(s), and the modification(s) would follow the standard industry code 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 consultation and engagement needed to develop the appropriate code change(s). We would expect close involvement of the industry; for example, we may establish and lead workgroups similar to the approach under the standard code modification processes (but led by us).



# SCR implementation approach

- We considered but discarded option of incorporating a new term for Authority SCR Modification Proposal as a simpler approach worked
- The definition of SCR Modification Proposal has been changed as has MR6.1.2 which is amended to allow the Authority to raise SCR Modifications Proposals, as well as Modification Proposals (EU law, etc.). It allows existing UNC procedures to be utilised with minimal supporting changes



# SCR implementation approach

- Other changes to MR to note are:
  - 6.2 q provision of legal text by Authority for Authority SCR Modification Proposal raised by Authority
  - 6.4.5 c prohibition on alternatives by Authority unless SCR or driven by EU or ACER
  - 9.3.19 Authority SCR Modification Proposal does not fetter Panel
  - 9.4.1 f requirement to consider greenhouse gas emissions in Modification Report for SCR Modification Proposal raised by Authority
  - 12.5.2 Authority able to direct timescales for any SCR Modification Proposal

