

REA response to Ofgem consultation Preparing for EU exit – implications for licences and industry codes

The Renewable Energy Association (REA) is pleased to submit this response to the above consultation. The REA represents renewable electricity, heat and transport, as well as Electric Vehicle companies and Energy Storage. Members encompass a wide variety of organisations, including generators, project developers, fuel and power suppliers, investors, equipment producers and service providers. Members range in size from major multinationals to sole traders. There are around 550 corporate members of the REA, making it the largest renewable energy trade association in the UK.

Introduction

There is a real danger of a cut off in regulatory certainty once the UK's exit from the EU approaches. The sheer number of code changes which will be required means that a way of coordinating all of the required changes 'in bulk' is necessary. This requires a Significant Code Review (SCR) in order to progress all the elements in parallel and at the necessary speed.

Need for an SCR to make required changes

Our members feel strongly that there is substantial risk to meeting timelines if industry is left to using the Open Governance process for code changes. Instead, we would like to see Ofgem run an SCR, the guidance for which notes that the purpose for these, is to speed up industry reform especially where multiple codes and a holistic view is needed. SCRs facilitate coordination, timely implementation and can be tightly scoped – so providing much more clarity and certainty to industry. We would like to see an SCR lead to changes being designated as 'housekeeping' and to fall under a fast track self-governance process. Ofgem would first need to consult industry on running an SCR – and can do this now (it doesn't need to wait until after the Statutory Instruments).

In particular:

- There are over 300 potential code modifications (across all electricity and gas industry codes) necessary to maintain the current regulatory framework on 'Brexist Day One'.
- All stakeholders need stability in the commercial framework - any uncertainty could potentially impact imbalance and spot prices.
- Industry participants may have differing objectives - code administrators are not able to manage or mitigate the risk associated with industry parties raising their own alternates or separate modifications. The implementation of some elements of the EU network codes has been difficult due to alternates raised and late discussions, making meeting the implementation deadlines challenging.

Equally, it is not possible to rely on code administrators to use the self-governance process, as whether a modification ultimately comes down to meeting the self-governance criteria is dependent on whether there is viewed a material impact on

either competition or operation of the network - and each code panel will make their own respective and potentially differing conclusions. This could result in an underestimation of time and resources required which would impact the approach and timeframe for code changes which may vary between industry codes.

The legislative timetable for making changes is uncertain - should code changes follow a standard code modification timetable, then the current scheduling of the Statutory Instruments in February 2019, will be very tight, even without any alternative modifications being raised. An extended timetable for code modifications should therefore be considered.

Summary

In conclusion, a Significant Code Review should be used to progress the required changes to the UK's grid codes to ensure the necessary speed and progress of the large number of changes required within the available timetable.

REA, March 2018