

Meeting Session	Open
Paper Reference	ECO 20180228 11
Action	For Information

Brexit Preparation

This paper provides the SPAA Executive Committee (EC) with the industry update regarding Brexit.

1 Background

- 1.1 SPAA carried out an initial Brexit Trawl which was discussed at the 25 October 2017 SPAA EC Meeting.
- 1.2 Following the licence and industry code analysis that SPAA, and other Code Administrators had undertaken, Ofgem arranged a workshop on 26 January 2018 to:
 - Present their findings from a consolidated analysis of licence conditions and industry code trawl;
 - Present their expectations on any necessary modifications should be delivered;
 - Discuss their findings and expectations, to identify any concerns and next steps in advance of a Consultation in February 2018.
- 1.3 There were about 20 workshop participants included the Ofgem lead and experts, Code Panel Chairs and Code Administrators.

2 Summary of meeting

- 2.1 Ofgem's analysis following the Code trawls of EU references highlighted the following:
 - Approximately 334 modifications have been identified of which 183 relate to gas;
 - The modifications fall into 5 main themes; for example, references to EU entity, or to EU law, or standards (see Appendix 3);
 - There are some modifications that are more complex, such as certification and access regimes, information gathering powers and alignment with changes in other sectors of EU law (see Appendix 3);

- There are none that would be inoperable (in the event they were not removed in time);
- The scope of the modifications appears manageable;
- Progress will be dependent on the detailed content of the Withdrawal Bill and the outcomes of negotiations with the EU;
- There is nothing to stop the Codes preparing for the 'housekeeping modifications' on the basis of what is known thus far. It is very likely that these modifications can be part of the Code self-governance process; and
- Biggest risk is if Statutory Instruments (SIs) are raised prior to March 2019, as these may impact the initial transition of EU law into UK law.

2.2 In terms of code modification process Ofgem has identified two options:

- The normal, sequential process with Licence modifications followed by code modifications (see Appendix 5); or
- A 'compressed' process whereby the Licence modifications and code modifications are carried out in parallel (see Appendix 6).

2.3 Ofgem believe the 'compressed' process provides the best opportunity to deliver the project on time. This will be further discussed under the Code Administrator Code of Practice (CACoP) which was the forum chosen for further discussions.

3 Recommendation

3.1 The Executive Committee is invited to:

- **NOTE** the contents in the paper.

4 Appendices

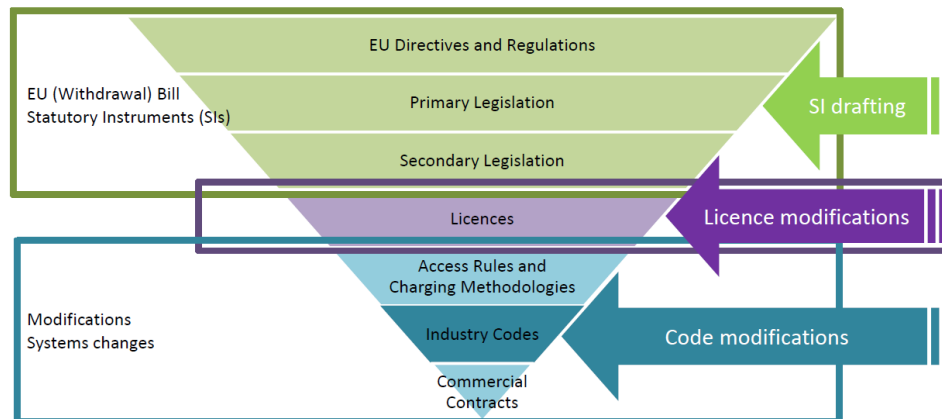
- Appendix 1 – Background: Regulatory Framework
- Appendix 2 – Conclusions of the L&C trawl combined analysis
- Appendix 3 – Key information in a nutshell
- Appendix 4 - Code modification process
- Appendix 5 – 'Normal' modification process (L&C)
- Appendix 6 – 'Compressed' modification process (L&C)

Dimple Gohil

Appendices

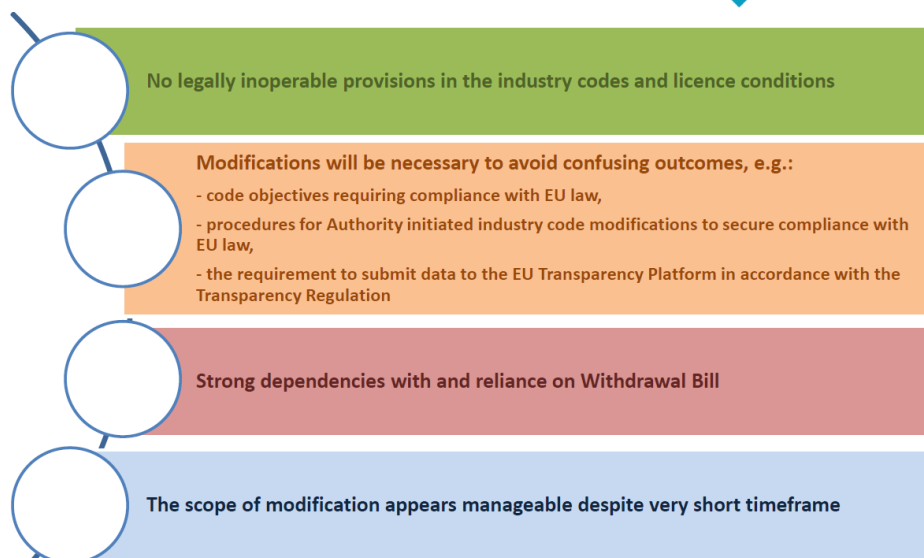
Appendix 1 - Background: Regulatory Framework

Background: Regulatory Framework



Appendix 2 – Conclusions of the L&C trawl combined analysis

Conclusions of the L&C trawls combined analysis



Appendix 3 – Key information in a nutshell

Key info in a nutshell

The mods in numbers...

	Number of EU references	Modifications		
		Number of modifications (min)	Number of modifications (max)	Further analysis required
Electricity Licences	195	90	143	60
Gas Licences	183	63	95	59
Industry Codes	Approx. 334			

The mods by themes...

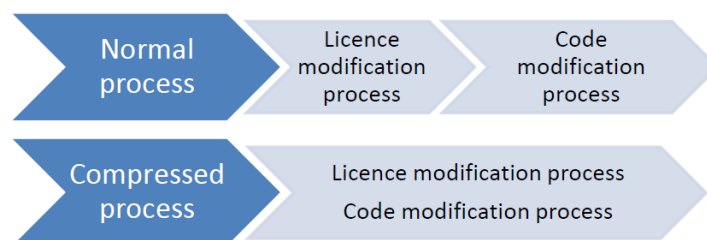
- Reference to EU entity / entity in another MS
- Reference to EU law / EU law concepts
- Reference to EEA
- Reference to EU standards and technical specifications
- Reference to transparency data and EU Transparency Platform

What mods may be more complex?

- ✓ Certification and exemption regimes
- ✓ Approval of Access Rules (cross-border cooperation)
- ✓ Unbundling requirements
- ✓ Information gathering powers
- ✓ Fuel Mix Disclosure and Guarantees of Origin
- ✓ Ensure alignment with changes in other sectors or areas of EU law

Appendix 4 - Code modification process

Code modification process

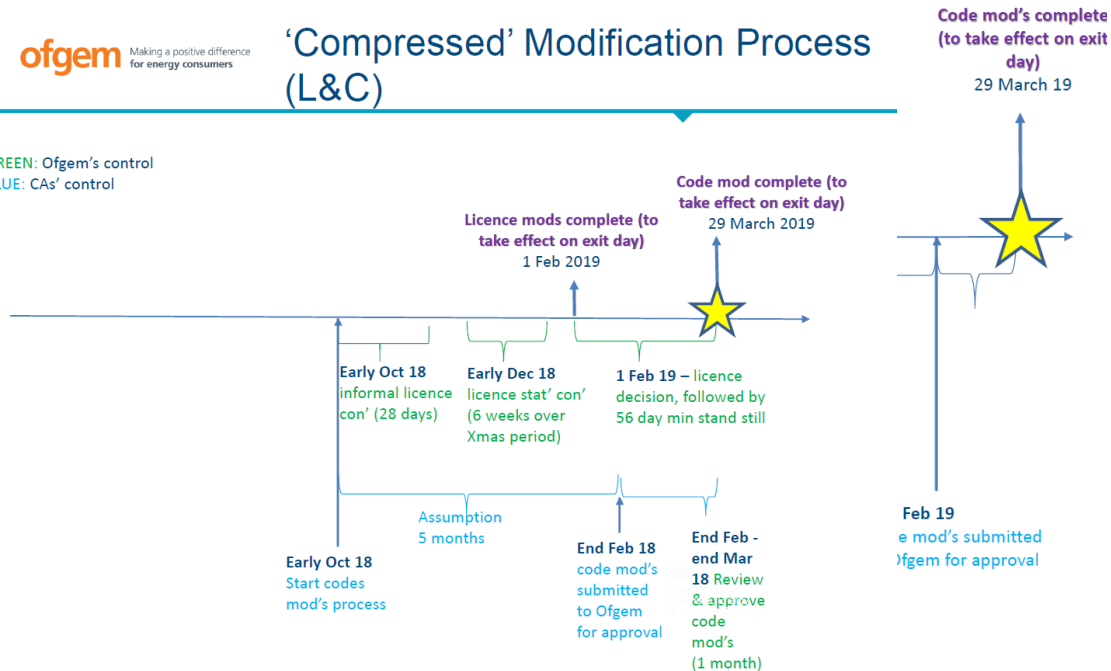


Appendix 5 – 'Normal' modification process (L&C)

'Normal' Modification Process (L&C)

'Compressed' Modification Process (L&C)

GREEN: Ofgem's control
BLUE: CAs' control



'Compressed' Modification Process (L&C)

GREEN: Ofgem's control
BLUE: CAs' control

