

CROSS SECTOR	
REFERENCE NUMBER:	CATEGORY: Addition
LICENCE CONDITION NUMBER: <i>(if relevant):</i>	SpC 3.7
TITLE:	Coordinated Adjustment Mechanism Re-opener
RELEVANT LICENCE CONSULTATION QUESTIONS <i>(if any):</i>	None
RELEVANT ISSUES LOG:	
POLICY ISSUES	
<ul style="list-style-type: none"> Part D Authority Direction Part B 	<ul style="list-style-type: none"> We reiterate here a concern that we raised after the early August LDWG in relation to the scope of an Authority direction under Part D. We would question whether implementing a transfer of a CAM activity obligation can and should be achieved by direction. In particular a transferee Partner Licensee may not have an existing /suitable output condition into which to insert the transferred obligation and associated allowance. The introduction of such a new condition would have to be achieved by way of a statutory licence modification and not via a direction. The drafting should provide for such a scenario. Following the LDWG Ofgem said that it would consider the point further. Reopener should not be constrained to limited windows within the price control period as currently envisaged. If not unlimited then we suggest the reopener should have an annual window.
DRAFTING ISSUES	
<ul style="list-style-type: none"> Section Headings 3.7.2 3.7.4 and 3.7.6(e) 3.7.6 (c) 	<ul style="list-style-type: none"> Section headings should not be framed as questions. Part A should read "Costs within scope of this Re-opener" and Part D should read "Authority process for making a direction" We suggest that "a more cost-effective opportunity" is amended to read "an opportunity that delivers greater overall consumer value" to ensure that this aligns with the stated goal of the CAM. What is "cost-effective" for licensees may not necessarily be cost effective for consumers. We suggest the words in square brackets "[the relevant outputs condition]" are replaced with "the licence condition relating to the CAM Activity"

<ul style="list-style-type: none"> 3.7.9(c) 	<ul style="list-style-type: none"> We suggest amending “is no longer the most cost-effective, and why the reallocation is more cost-effective” to “no longer delivers the greatest overall consumer value, and why the reallocation delivers greater overall consumer value” We suggest this is amended to read “any amendments to the licence conditions relating to the CAM Activity in the special conditions of this licence and of the licence of the Partner Licensee”. However, as noted above such an approach assumes that there is a relevant licence condition relating to the CAM Activity in the licence of the Partner Licensee to amend. Where this is not the case a new licence condition relating to the CAM Activity will need to be introduced via statutory licence modification and the licence drafting should acknowledge such a scenario.
FINANCE ISSUES	
SUPPORTING INFORMATION	
OFGEM ENGAGEMENT:	