



Consultation on the Design and Delivery of the Energy Industry Code Reform

Response form

The consultation is available at:

<https://www.gov.uk/government/consultations/energy-code-reform-governance-framework>

The closing date for responses is 28 September 2021.

Please return completed forms to:

BEIS

Team: Code Reform – Electricity Systems Team
Department for Business, Energy and Industrial Strategy
Postal address: Code Reform - Electricity Systems Team
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Abbey 1, 3rd Floor,
1 Victoria Street
London
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And

Ofgem

Team: Industry Code and Licensing Team
Office of Gas and Electricity Markets
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E14 4PU

Email: codereform@beis.gov.uk and industrycodes@ofgem.gov.uk

BEIS and Ofgem will share with each other all responses that are received.

When responding, please state whether you are responding as an individual or representing the views of an organisation.

Personal / Confidential information

Please be aware that we intend to publish [a summary of] all responses to this consultation.

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If you want information, including personal data, that you provide to be treated as confidential, please explain to us below why you regard the information you have provided as confidential. If we receive a request for disclosure of the information, we shall take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the department.

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- Comments:

Thank you for the opportunity to respond to this consultation – Design and Delivery of the Energy Code Reform.

Below we provide a summary of the key points for our response and follow those up in detail in our answers to your questions. Elexon welcomes the proposals from BEIS/Ofgem and is committed to making the arrangements work and will help BEIS/Ofgem in whatever way we can to make delivery of the arrangements easy to implement.

Executive summary of Elexon's position

- Elexon is a subsidiary of National Grid ESO and therefore **Elexon is directly impacted by the proposed introduction of the Future System Operator, as well as the Codes Review**
- We believe that it is rightly recognised **that Elexon's independence is of value to Government, Ofgem and the industry and should be maintained** – we are pleased that this has been acknowledged by BEIS/Ofgem in the consultation
- **We are supportive of the objectives of the Codes and System Operator Reviews**

Ellexon has long been a supporter of **consolidation and simplification of the Codes and believes that, ultimately, this will be important in delivering the strategic aims of the industry and in particular in achieving Net Zero**

- **We believe that the proposed framework set out by BEIS/Ofgem is a sound footing on which to build the future energy system** needed to deliver Net Zero and would support the choreography of change set out by BEIS/Ofgem, which implies that FSO (under the Future System Operator consultation) and Strategic Body (under the Codes Review) will be decided on first, after which the practical proposals for **consolidation and simplification should follow in a subsequent phase, once the framework is in place and it is clearer what future structural change would best serve delivery of Net Zero**
- **We continue to be of the view that Ofgem can successfully undertake the role of the Strategic Body**, but will have to be resourced accordingly
- Ultimately, we believe that **the Integrated Rule Making Body may be an option once the Future System Operator has been established** but this may be part of a second or third phase
- **We do not support tendering for Code services and believe that this represents an unnecessary risk to establishing the arrangements and will be a distraction for existing Code Managers**, such as ourselves and NG ESO. Tendering should be the last phase undertaken (if necessary) once the appropriate future structure is clear. However:
 - **Prior to moving to tendering, there should be a clear quantification of the costs and benefits derived from tendering**
 - **Consideration should be given to the increased demand for experienced resources**, that would be created from tendering
 - **The scope of tenders will need to be established, i.e. the exact roles for which the tender is being let** - which will be easier after the arrangements have been set up and consideration given as to how they are working
 - **Tendering will delay the consolidation and simplification agenda** and therefore delay benefits for industry and the consumer. This is because consolidation will be more difficult once CM roles have been tendered. Instead, practical code manager consolidation proposals should be developed in advance of any process for tendering the code managers
- In Ellexon's own case, it is clearly important that **Ellexon should not be distracted from delivering the Market-wide Half Hourly Settlement (MHHS) reform and the re-development of the industry central systems, which should deliver ~£4.6bn benefit to consumers** – itself, a really important building block in the delivery of arrangements to support Net Zero
- Moreover, we want to ensure that uncertainty is minimised, as **we need to retain our industry experts to aid us in delivering net zero critical change such as MHHS**. In this context, we would highlight the value of the end-to-end service that Ellexon offers, which provides a holistic “one stop shop” to industry – this important service and offering should not be jeopardised.
- **Whilst we remain unconvinced of the need for licensing of code managers, we believe that, should it go ahead, it needs to be proportionate**, with particular

consideration of the treatment of enforcement and fines in relation to an activity which Elexon's case, is not carried out for commercial gain, but rather on a not-for-profit basis and is funded by industry.

- The consultation is clear that it **intends to reduce the role of industry in controlling industry change**. There are two important points to remember here:
 - **Elexon (for example) is funded by industry and therefore must always retain some accountability to industry; and**
 - **Code bodies work with industry experts to help develop and implement change. And we do not believe that a voluntary stakeholder forum will retain the interest and participation of industry,** particularly when industry workforces are being cut to drive efficiency.

About You

Name: Mark Bygraves, Chief Executive
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	Respondent type
<input type="checkbox"/>	Business representative organisation/trade body
<input type="checkbox"/>	Central government
<input type="checkbox"/>	Charity or social enterprise
<input type="checkbox"/>	Individual
<input type="checkbox"/>	Large business (over 250 staff)
<input type="checkbox"/>	Legal representative
<input type="checkbox"/>	Local government
<input type="checkbox"/>	Medium business (50 to 250 staff)
<input type="checkbox"/>	Micro business (up to 9 staff)
<input type="checkbox"/>	Small business (10 to 49 staff)
<input type="checkbox"/>	Trade union or staff association
<input checked="" type="checkbox"/>	Other (please describe) Code Manager for BSC (Balancing and Settlement Code)

Questions

Question 1

This question refers to chapter 2 – Scope of reform.

To what extent do you agree with our proposals on the licensing of a code manager for engineering standards, and why?

☐ Strongly agree ☒ Agree ☐ Neither agree nor disagree ☐ Disagree ☐ Strongly Disagree ☐ Not sure

Comments:

1.1. Whilst we do not believe that licensing of code managers is necessary or beneficial, we fully agree that any technical or engineering standards should be in scope of this review and the ultimate control regime. This is because they can impact the changes required to re-align the energy system with the net zero objective and have a direct effect on the delivery of the strategic direction and therefore need to be within the scope of the Energy Codes reform.

1.2. We believe these technical and engineering standards need to be managed in the same way (and possibly by the same code manager) as an existing code, given that these standards mostly align with code activities.

Question 2

This question refers to chapter 2 – Scope of reform.

What are your initial views on how central system delivery bodies should be regulated (including their relationship or integration with code managers and the extent to which licensing may be appropriate), bearing in mind this will be the subject of future consultation?

Comments:

2.1. We believe central system delivery bodies need to coordinate better with Code managers and that this is best achieved under an end-to-end model that has Code management and central system delivery under the same organisation.

2.2. Where the end-to-end model does not exist and Ofgem introduces licensing for Code managers, it is appropriate for central system delivery bodies also to be licensed (provided it is proportionate) in order to cooperate with the Code manager. Where the end-to-end model exists, we believe the incentive to cooperate already exists and separate licences are not required.

2.3. On the point of integration with the Code manager – we strongly believe that an end-to-end approach to Code and system management delivers the most coherent change required for the energy industry to deliver on the net zero commitment. An end-to-end model avoids unnecessary duplication or handoffs whilst reducing the potential for something to be missed, and naturally drives towards more timely development and decisions on change.

2.4. It would be beneficial to consider the end-to-end model against a fragmented (and arguably, “siloed”) approach, by comparing the BSC processes in electricity against the UNC processes in gas. Under the BSC, Elexon is responsible for an end-to-end service comprising Code Management as well as service and system delivery (and changes thereto), whereas under the UNC services are spilt between the Joint Office (change administration), Xoserve (the central system management),

Correla (central systems delivery), Gemserv (the contracted performance assurance provider) and Engage Consulting (allocation of unidentified gas). There is no single point of accountability in the UNC processes i.e. no equivalent of Elexon. In our view, this leads to confusion for industry, unnecessary delays, and issues of cooperation between service providers among other detrimental effects. As an example, Elexon instituted changes to assurance arrangements at the beginning of the pandemic in 10 days. It took the gas sector 10 weeks

Question 3

This question refers to chapter 3.1 – Setting the strategic direction, chapter 3.2.4 - Detailed roles and responsibilities of the strategic body, and chapter 3.2.7 – How would our proposals differ under option 2?

To what extent do you agree with the detailed roles and responsibilities of the **strategic function** as set out above, and why?

☐ Strongly agree ☒ Agree ☒ Neither agree nor disagree ☐ Disagree ☐ Strongly Disagree ☐ Not sure

Comments:

3.1. We can see real benefits in providing a vision for strategic change and introducing mechanisms to provide clear resourcing and delivery expectations to the industry.

3.2. We believe the strategic function needs to look forward to the next 5-10 years to ensure industry and Code managers can plan their activities, resources and any commercial considerations to support strategic change. This will give a good grounding for the Code managers to determine their expected costs and signal these to the companies who fund the arrangements and interface with the systems which facilitate market operation. We also believe that a view of the “whole system” should be considered, not just looking at energy (electricity and gas), but also hydrogen, heat and transport.

3.3. However, we believe that interventions should be limited to a strategic level and not descend into micro-management. The Strategic Body should not get involved in detailed project management, but receive updates on how initiatives are progressing. This could work in a similar way to Ofgem’s sponsor role on the Market-wide Half Hourly Settlement Programme, where Elexon is the Implementation Manager and Ofgem is the Programme Sponsor.

3.4. The consultation provides a very detailed description on how the SPS (Strategy and Policy Statement) and Strategic Direction document will set the direction for the Code managers and the industry. Such strategic documents tend to take considerable time to produce and agree and therefore we believe there needs to be a mechanism that could be used to guide the Code managers and the industry during the initial SPS and Strategic Direction development phase. There also needs to be clarity on what the process will be if any unexpected delays occur during their development and publications (e.g. General Elections, change in Cabinet, change in BEIS Ministers and the like). Timely releases of the SPS and Strategic Direction will become of utmost importance for the industry. The industry is already working on many strategic initiatives and therefore the SPS and Strategic Direction would need to take account of these in considering priorities and determining what criteria are used to decide on the priorities.

3.5. In summary, we believe:

The Strategic Body's roles in delivering the strategic direction	Elexon's view
Oversight and monitoring	Yes, at a high level, setting the direction for the next 5-10 years
Holding code managers accountable via code manager licences	In case where the Strategic Body is Ofgem, monitoring compliance with licence conditions will be a part of the role.
Delivering code changes	We do not believe the Strategic Body should be delivering code changes (other than in exceptional, clearly defined circumstances – as suggested by the consultation). The codes managers should be empowered and adequately resourced to deliver code changes to the agreed timelines.

Question 4

This question refers to chapter 3.2.3 - Detailed roles and responsibilities of the code managers, and chapter 3.2.7 – How would our proposals differ under option 2?

To what extent do you agree with the proposed roles and responsibilities of the **code manager function** as set out above, and why?

☒ Strongly agree
 ☐ Agree
 ☐ Neither agree nor disagree
 ☐ Disagree
 ☐ Strongly Disagree
 ☐ Not sure

Comments:

4.1. We fully support an empowered and accountable Code management function. Code managers should have the ability to raise modifications and should be appropriately resourced and funded to progress them, utilising Code manager resource as much as possible to minimise the burden on industry. In this respect, we believe that all Codes should be able to rely on the Code manager to develop proposals and options for change, draft the legal text, and then work with industry to ensure that those changes dovetail with and support the wider systems' landscape.

4.2. To provide more details on the specific code manager functions:

	Elexon's view
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<p>Delivery plans</p>	<p>In general, we agree with the suggestion for the Code managers to publish their delivery plans.</p> <p>For example, Elexon already publishes its Business Plan and Budget outlining the scope of activities and programmes it will work on and deliver every year. Elexon then engages with and seek comments from industry and interested parties. Prior to this the BSC Panel, including the Ofgem and customer representatives are able to input their views to Elexon's Business Plan and Budget.</p> <p>The periodic reporting on the progress should not be overly burdensome and should not come at the expense of actually delivering the required changes.</p>
<p>Proposing code changes</p>	<p>In general, we agree with this proposal.</p> <p>Under REC, the latest of the industry Codes, RECCo can propose changes.</p> <p>To avoid conflict of interest, and “tokenism” we believe that Code managers should not be incentivised to raise changes, for example through a KPI on number of changes raised, and that they should carefully consider the merits of raising change, whilst taking into account the change burden already on the Code Parties and industry more generally.</p>
<p>Managing the code change process</p>	<p>Fully agree with this proposal.</p>
<p>Cross-code coordination</p>	<p>The cross-code coordination could be hampered by the fact that Code managers will be in periodic competition with each other. We believe that this is at the root of the lack of progress and co-operation seen in the Code Administrators Code of Practice Group.</p> <p>We believe that the model of cross-service provider coordination (whereby multiple service providers are contracted to provide REC services and have to work with one another to deliver the services), implemented under REC code, needs to be analysed in order to conclude how well the theoretical principle of cross-code/service provider coordination works in practice. An alternative model is to ensure that the Code manager is the informed client and responsible for</p>

	service integration (which is the case for Elexon and the BSC) so that there is clear accountability.
Decision-making	If the role of the Code panels is ended, we agree that the decisions made by panels should now be made by the Code manager and, where the decision is made by Ofgem, that a right of appeal to the CMA for Ofgem's decisions is retained.

Question 5

This question refers to chapter 3.1 – Setting the strategic direction, chapter 3.2.5 - Roles and responsibilities of other stakeholders, including code parties, and chapter 3.2.7 – How would our proposals differ under option 2?

To what extent do you agree with the proposed roles and responsibilities of **stakeholders** as set out above, including the role of the stakeholder advisory forum, and why?

☐ Strongly agree
☐ Agree
☐ Neither agree nor disagree
☐ Disagree
☒ Strongly Disagree
☐ Not sure

Comments:

5.1. Industry participation in change development is important. Therefore, it is essential that work groups continue. The central bodies and systems cannot operate or evolve in isolation – to allow the market to function effectively there is a need to ensure that all IT infrastructure “talks” to each other.

5.2. We have concerns over the proposed roles and responsibilities of Stakeholder Forums, as in our view the industry may become disengaged in the Code change process and the Code managers will lose the necessary input into the Code and central system development. Code bodies work with industry experts to help develop and implement change and we do not believe that a voluntary stakeholder forum will retain the interest and participation of industry, particularly when industry workforces are being cut to drive efficiency.

5.3. If the industry input is lacking (and the industry is not engaged in the Stakeholder Forum, as there is no obligation to do so or it is not discussing proposals at an appropriate depth) a Code manager can end up spending time on developing a change proposal and only learn that the change proposal is not compatible/can't be implemented at the end of the process. This will inevitably lead to delays, wasted effort and inefficient costs.

5.4. It is important to maintain industry engagement with Code Managers. While there is a further consultation on the details of the stakeholder advisory forums as proposed by the consultation, it needs to be clear how that engagement will be encouraged. One potential option could be to place an obligation into every code for the code parties to participate in the stakeholder advisory forums.

Question 6

This question refers to chapter 3.3 - Appeals process and compliance.

In relation to option 1, where Ofgem would be the strategic body, to what extent do you agree with our proposals on how **decisions by the code manager** would be overseen by the strategic body with, as a minimum, existing appeal routes retained and moved to the strategic body

☐ Strongly agree ☐ Agree ☐ Neither agree nor disagree ☐ Disagree ☒ Strongly Disagree ☐ Not sure

Comments:

6.1. We do believe that the appeal routes have to be expanded otherwise the arrangement will see Ofgem in a situation of determining appeals against its own decisions ('judge and jury'). For this reason we believe that the body dealing with appeals needs to be independent and impartial in order to reach its own conclusions.

6.2. We also see merit in retaining the right of appeal to the Competition and Markets Authority on decisions that Ofgem make on Code changes, given this is the only route Code Parties have to challenge the merits of Ofgem's decisions. The way in which this right currently operates relies on the Panel having a different view on whether a proposal should go ahead and whether it furthers the Relevant/Applicable Objectives as set out in Licences. Therefore if there are no Panels this process needs to be considered and amended to retain a genuine right of appeal.

Question 7

This question refers to chapter 3.3 - Appeals process and compliance.

In relation to option 2, where the FSO would take on the role of the IRMB, to what extent do you agree with our proposals on how relevant **decisions by the code manager function** would be appealable to Ofgem, with a potential prior review route via an internal body?

☐ Strongly agree ☐ Agree ☐ Neither agree nor disagree ☐ Disagree ☒ Strongly Disagree ☐ Not sure

Comments:

7.1. Similar to Question 6, our concern would be to ensure that Ofgem did not become "judge and jury" for changes and that we see merit in retaining the right of Appeal to the Competition and Market Authority. However, if the FSO were to become the IRMB and they were making decisions on modifications, then there could be an option for Ofgem assuming the role currently undertaken by the Competition and Market Authority in relation to appeals. As a principle, we believe that there has to be confidence that the right of appeal is a genuine one and therefore that the body responsible for dealing with appeals needs to be independent and impartial.

Question 8

This question refers to chapter 3.3 - Appeals process and compliance.

Do you have any views on the two proposed options for appealing **decisions made by Ofgem on material code changes** in option 1 (with Ofgem as the strategic body) and option 2 (with the FSO as the IRMB)?

Comments:

8.1. The consultation states that “Under existing arrangements, Ofgem makes decisions on whether a material code change should be implemented and those with sufficient interest who wish to challenge these decisions may do so via either judicial review or appeal to the CMA”. We believe that both appeal routes should continue to be available to the industry, as any changes to these arrangements could be viewed as a retrograde step

Question 9

This question refers to chapter 3.3 - Appeals process and compliance.

Do you have any thoughts on other potential appeal routes?

Comments:

9.1. At this point we have no further suggestions on appeal routes, we would however observe that any other potential appeal routes/options should be considered closely to ensure that they do not unduly impact how quickly decisions can be reached. The ultimate goal of the Codes Reform is to have a faster, more flexible code change process suitable for the highly diversified energy system. Therefore, any new appeal route needs to fit with this overall goal of the Codes Reform.

Question 10

This question refers to chapter 4.1 - Proposed operating model and accountability (for option 1).

To what extent do you agree with the proposed operating model and accountability structure for Ofgem as the strategic body, and why?

☐ Strongly agree ☒ Agree ☐ Neither agree nor disagree ☐ Disagree ☐ Strongly Disagree ☐ Not sure

Comments:

10.1. We agree with the proposed accountability structure for Ofgem as defined in the consultation, that is “overall accountability for delivering the Strategic Body’s functions would sit with Ofgem as opposed to a ring-fenced board.”

Question 11

This question refers to chapter 4.2 - Monitoring and evaluation (for option 1).

To what extent do you agree with the monitoring and evaluation approach for Ofgem's performance as strategic body, and why?

☐ Strongly agree ☐ Agree ☒ Neither agree nor disagree ☐ Disagree ☐ Strongly Disagree ☐ Not sure

Comments:

11.1. The consultation proposes a 'waterfall' approach and structure where each following step has a hard dependency and is possible only after a previous step is complete, e.g. Code managers' plans rely on a Strategic Direction from Ofgem, which in its turn is only possible after an SPS has been designated. In such a system it becomes extremely important to define (and adhere to) clear service standards for each role, step and part of the process. It will also become critical for Ofgem as a Strategic Body to adhere to whatever service standard, milestones and deadlines it commits to.

11.2. Based on the above, we believe the high-level proposed monitoring and evaluation approach set within the 2019 Framework document between BEIS and Ofgem (as proposed by the consultation), will need to be supplemented by clearly defined time-specific goals and a requirement to report on any delays.

Question 12

This question refers to chapter 5.2 - Establishing code managers.

To what extent do you agree with the ways we propose that the strategic body select code managers, and why?

☐ Strongly agree ☐ Agree ☐ Neither agree nor disagree ☐ Disagree ☒ Strongly Disagree ☐ Not sure

Comments:

12.1. We do not support tendering for Code services and believe that this represents an unnecessary risk to establishing the arrangements and will be a distraction for existing Code Managers, such as ourselves and NG ESO. Tendering should be the last phase undertaken (if necessary) once the appropriate future structure is clear.

However:

12.1.1. Prior to moving to tendering, there should be a clear quantification of the costs and benefits derived from tendering (see further below)

12.1.2. Consideration should be given to the increased demand for experienced resources, that would be created from tendering

12.1.3. The scope of tenders will need to be established, i.e. the exact roles for which the tender is being let - which will be easier after the arrangements have been set up and consideration given as to how they are working

12.1.4. Tendering will delay the consolidation and simplification agenda and therefore delay benefits for industry and the consumer. This is because consolidation will be more difficult once CM roles have been tendered. Instead, practical code manager consolidation proposals should be developed in advance of any process for tendering the code managers

12.2. We remain convinced that tendering as a main route to select code managers **will not achieve** any tangible benefits and indeed will introduce more complexity and cost to the arrangements. We therefore urge that any proposal for tendering is preceded by a clear assessment of the costs

(including of preparing the tender itself which will require documenting many of the desired critical friend activities and empowered elements not currently legislated in the codes) and of the benefits.

12.3. In our view, tendering is likely:

to be counter-productive to collaboration between those providing Code management services and therefore between the Codes,

see companies who provide Code management services looking to maintain their competitive advantage and being less willing to share information or best practice with potential future competitors,

to have a destabilising effect on staff at the time of delivering on many important industry-wide change programmes,

12.4. Scope of tenders will need to be established, which will be easier after the arrangements have been set up and consideration given as to how they are working – we believe that this should be the last phase of reform, if it is introduced at all.

12.5. It is worth noting that there are tendering options already operating in the Code arrangements and we would urge that BEIS/Ofgem consider these in detail to look at what each of these models deliver against the objectives that BEIS/Ofgem want to achieve. For example, under the BSC Elexon tenders for up to 60% of the BSC activity/spend, but does so for distinct activities such as the BSC audit and BSC Central Systems. In doing so Elexon manages the service providers and they have limited interaction with each other, but Elexon remains accountable to deliver the services. This means Elexon is an “intelligent client” and retains knowledge centrally when services are competitively tendered and transfer provider.

12.6. A different model operates under the REC, with REC service providers having to cooperate with each other to deliver services. These arrangements are in their infancy, but it would be worthwhile BEIS/Ofgem considering this model and comparing with other practices to identify any pros and cons.

12.7. In Elexon’s own case, it is clearly important that Elexon should not be distracted from delivering the Market-wide Half Hourly Settlement (MHHS) reform and the re-development of the industry central systems, which should deliver ~£4.6bn benefit to consumers – itself, a really important building block in the delivery of arrangements to support Net Zero.

Question 13

This question refers to chapter 5.3 – Budget and funding.

To what extent do you agree with our proposed approach to code manager funding, and why?

☐ Strongly agree ☒ Agree ☐ Neither agree nor disagree ☐ Disagree ☐ Strongly Disagree ☐ Not sure

☐ Not sure

Comments:

13.1 The proposed approach to fund code managers is the same as it is at present “code managers should be funded through charges levied on Code parties in accordance with a charging methodology set out in the relevant code(s)” – we agree with this approach.

Question 14

This question refers to chapter 5.3 - Budget and funding.

To what extent do you agree with our proposal that the strategic body should be accountable for code manager budgets, and why?

☐ Strongly agree ☐ Agree ☐ Neither agree nor disagree ☐ Disagree ☒ Strongly Disagree ☐ Not sure

Comments:

14.1. Code managers should remain accountable to industry for their budgets and not to the Strategic Body – this is because it will be industry who will ultimately fund the Code managers

Question 15

This question refers to chapter 6.1 - Proposed operating model and accountability (for option 2).

To what extent do you agree with the proposed operating model and accountability structure for option 2, where the FSO takes on the role of the IRMB, and why?

☐ Strongly agree ☐ Agree ☐ Neither agree nor disagree ☐ Disagree ☐ Strongly Disagree ☒ Not sure

Comments:

15.1. We do not believe it is practical to discuss the FSO taking on the role of the IRMB at present when the FSO itself is not formed and such major parameters of its operations such as ownership and accountability are not defined. Ultimately, we believe that the Integrated Rule Making Body may be an option once the Future System Operator has been established but this may be part of a second or third phase of the reform.

Question 16

This question refers to chapter 7.1 - Options analysis

Overall, which of the two options do you think would be best placed to reform code governance, and why?

☒ Option 1, where Ofgem is designated as the strategic body with the power to licence separate code managers

☐ Option 2, where the FSO takes on the role of an IRMB, which combines the strategic and code manager functions

☐ Not sure

Comments:

16.1. Given the Codes Reform is looking to achieve its desired outcomes by mid-2020s, i.e. in five to seven years, we believe that the focus for any proposed changes should be firmly set on actionable, practical steps rooted in evidence and cost-benefit analysis, with those elements that provide the greatest benefit being prioritised.

16.2. As noted in the consultation, the FSO implementation timeline will prolong the Codes

Reform, as for Option 2 (the IRMB) the FSO would have to be fully established and operational. Therefore, as outlined in our previous response to the Code Review, we support Ofgem as the Strategic Body.

The following three questions relate to the impact assessment on the code reform that is published along with this consultation. Please only answer the questions below if you have read the Impact Assessment.

Question 17

To what extent do you agree with our estimated costs for the new code manager function set out in the impact assessment, and why?

☐ Strongly agree ☐ Agree ☐ Neither agree nor disagree ☒ Disagree ☐
Strongly Disagree ☐ Not sure

Comments:

17.1. We believe that BEIS/Ofgem have an opportunity to ask the Code managers and central delivery bodies for actual budget figures to include into an impact assessment. This will lead to a more accurate assessment of costs and give BEIS/Ofgem a view over how the costs of activities vary between those providing the service.

17.2. Such analysis can be used to determine which model(s) deliver best value in terms of the costs of providing the overall service.

Question 18

To what extent do you agree that the case studies included in the impact assessment are indicative of the major barriers facing code changes under the current system, and why?

☐ Strongly agree ☐ Agree ☐ Neither agree nor disagree ☐ Disagree ☐
Strongly Disagree ☒ Not sure

Comments:

18.1. We don't have specific comments on the case studies; however, we believe the full lifecycle of a modification - from being raised to being approved by Ofgem – needs to be assessed.

18.2. In most cases, any Code change process involves many actors: industry (proposer, modification group), Code administrator, Code Panel, Ofgem; and involves changes to both the Code itself (as a legally binding contract between Code parties) and corresponding central systems. More evidence is required to identify where delays typically take place. Such an analysis would allow a targeted list of actions to be devised to rectify specific issues. It would be prudent to extend the analysis to the individual Codes, as there are certain parameters of the Code change process (e.g., number of alternative proposals, timing for submission of alternative proposals, etc.) that may affect some Codes but will be less relevant/irrelevant to others.

For more information and suggestions, please see Elexon's Policy View on **Faster, more consistent process for changing energy codes** - <https://www.elexon.co.uk/documents/elexon-policy-view-a-faster-more-consistent-process-for-changing-energy-codes-july-2020/>

Can you provide further examples of when current code governance has resulted in either optimal or sub-optimal outcomes?

Comments: [Click here to enter text.](#)

Question 19

To what extent do you agree with the scale and type of benefits to industry estimated in the impact assessment?

☐ Strongly agree ☐ Agree ☐ Neither agree nor disagree ☐ Disagree ☐ Strongly Disagree ☒ Not sure

Comments:

19.1. In general we agree with the types of benefits identified. However, it remains unclear whether and to what extent the benefits will be realised through the proposed course of actions set out in the consultation document.

Are there further cost savings to industry that should be included?

Comments: [Click here to enter text.](#)

Question 20

This question refers to chapter 8.1 – Context and wider industry developments

Are there any other wider industry developments we should consider in relation to the implementation timeline?

☐ Yes ☐ No ☐ Not sure

Please provide details of any industry developments you believe should be considered in the implementation timeline and how they could impact on code reform.

20.1 We are concerned about the impact on existing high priority programmes such as Market-wide Half Hourly Settlement (MHHS). In the case of Elexon, this is both our role as the Implementation Manager and also as a programme participant delivering the central systems, as well as our Kinnect Programme (the re-development of the central settlement systems).

20.2. Additionally, the following initiatives and other industry developments also need to be taken into account when thinking about Codes Reform implementation as they rely on the same organisations to work out the details and to implement them:

Energy Future System Operator Consultation

REC and Faster Switching including the new Centralised Switching Service (CSS)

DNO to DSO transition and local balancing markets development

Review of DCC licence arrangements

Reforming the Framework for Better Regulation

Strategy and Action Plan to digitalise our energy system

Energy retail market strategy for the 2020s

20.3. The above initiatives are driven by the same organisations (Ofgem, Code managers, and industry participants) and rely on change to the same set of market arrangements and systems, thus these reform timelines need to be taken into account.

20.4. We should also consider the fact of the current retail supply market, which appears to be in crisis, with companies serving over a million customers having failed within a period of barely two weeks. The ever-diminishing pool of companies able to pick up distressed customers in these circumstances may find their resources diverted to keeping their businesses running effectively.

Question 21

This question refers to chapter 8 – Implementation approach

Are there any implementation issues, risks or transition considerations we should take into account?

Comments: We detail our views in our responses to questions 11, 12, 20, 23

How do you think these could impact on code reform?

Comments: [Click here to enter text.](#)

Question 22

This question does not refer to any specific chapter.

We invite respondents' views on whether our proposals may have any potential impact on people who share a protected characteristic (age, disability, gender re-assignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation), in different ways from people who do not share them. Please provide any evidence that may be useful to assist with our analysis of policy impacts.

Comments: We have not identified any potential impact on people with protected characteristics

Question 23

This question does not refer to any specific chapter. Please use this space for any general comments that you may have, comments on the layout of this consultation would also be welcomed.

Do you have any other comments that might aid the consultation process as a whole?

23.1. We believe the Strategic Body, Code managers and, in fact, service providers and a wide range of consultancies in the energy market will be competing for the same resource pool. This may create unnecessary destabilising effects on the industry-wide programmes mentioned in question 20 and simply result in increasing costs which are ultimately borne by the consumer.

Thank you for your views on this consultation.

Thank you for taking the time to let us have your views. We do not intend to acknowledge receipt of individual responses unless you tick the box below.

Please acknowledge this reply ☐

At BEIS we carry out our research on many different topics and consultations, and your views are valuable to us. Would you be happy for us to contact you again from time to time either for research or about other consultations?

☐ Yes

☐ No