

IQuestions	Response
<p>Q1: Do you agree with the design principles proposed to frame our assessment of code consolidation options? If 'no', please explain why</p>	<p>Yes. We agree with the design principles.</p> <p>Whilst the sub text for design principles 3) and 4) refers to the code managers becoming licensed and co-ordinating with central system delivery bodies; the aspiration for the code managers role to evolve with future market arrangements is not hard wired into any of the existing design principles.</p> <p>We would also welcome assurances that Ofgem remains the decision-making body and that when code managers are supporting the delivery of Ofgem's strategic change, the facilitation of this is also compatible with our RIIO-ED2 licence arrangements. For example, we would welcome assurances that Ofgem remain the decision-making body for material code changes and appeal body for significant decisions made by the licensed code managers in light of the disbandment of code panels.</p> <p>As such we would recommend the design principles are strengthened further by expanding as follows:</p> <p><i>2) Enabling the codes <u>and code managers</u> to be agile and adaptable to future market arrangements</i> <i>Consolidated codes <u>and licensed code managers</u> should be better able to adapt to significant market or industry changes, while also being able to reflect the commercial interests of market participants.</i></p> <p><i>3) Facilitating the delivery of strategic change and being compatible with new code governance arrangements <u>and industry licence framework</u></i> <i>Consolidated codes should support the delivery of future strategic change and industry <u>licence</u> reforms that benefit consumers, including the delivery of the strategic direction that will be set by Ofgem. The code framework should facilitate effective implementation of the new code governance arrangements set out in the Bill, including the appointment of licensed code managers.</i></p>

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<p>Q2: What are your views on the high-level options for code consolidation we have described ('no consolidation', 'vertical' & 'horizontal')? We welcome input on the possible benefits/disbenefits of each option.</p>	<p>We recommend the following next steps regarding the high-level options for code consolidation:</p> <ol style="list-style-type: none"> 1) <u>no consolidation</u> – we recommend this option is discounted. We agree this would be a missed opportunity to further reduce resource burden on parties, by retaining the current number of codes they are required to engage with. 2) <u>horizontal consolidation</u> – we recommend this option for a dual-fuel code at network level be discounted. Network codes need not be treated the same as the consolidation of other commercial codes such as retail. We agree with Ofgem that the horizontal consolidation of network codes would be extremely complex, and the technical aspects of electricity and gas are different for fundamental operational reasons (and are likely to remain so) meaning synergies may be low or non-existent. 3) <u>vertical consolidation</u> – we agree with Ofgem and recommend this option is explored further. Though we recommend a review of the costs and benefits is undertaken to assure these, and a comparison, against other inflight and potential change project benefits, is done to assess if vertical consolidation makes sense for consumers in the wider context of a range of potential and live industry changes. For further detail on our preferred approach and rationale see our response to Q3.

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<p>Q3: Do you agree with our initial preference to explore vertical code consolidation options and, if so, do you have any observations on the potential models set out in Cornwall Insight's April 2022 report? We welcome specific views on the following:</p> <ul style="list-style-type: none"> • Whether the UNC and IGTUNC should be consolidated; • If/how to consolidate the electricity codes; • Whether the REC and SEC should remain separate; and/or • Whether the consolidation of any codes should be prioritised, and if so, why. 	<p>Yes. We agree with Ofgem's preference to explore vertical code consolidation options which would ensure fuel-specific expertise remains focused.</p> <p>We recommend the following next steps in terms of Ofgem's two preferred options:</p> <ol style="list-style-type: none"> 1) Option 1B is discounted as causes more disruption to licensees. Also, we see no rationale for the CUSC remaining a stand-alone code under this option. 2) Option 1A is explored further as it causes less disruption to licensees and enables faster delivery of reform as follows: <ol style="list-style-type: none"> a. the Combined UNC and Electricity Transmission Code is prioritised. b. the consolidation of REC and SEC is explored further and prior to other code consolidation. Both these codes are already dual fuel and currently managed (via the RECCo and SECCo) by the same parent company, Gemserv. c. Transmission Code (consolidation of the CUSC and Grid Code). d. Electricity Distribution Code (consolidation of the DCUSA and Distribution Code). We recommend these are the last codes to be consolidated as this area already has two significant reforms underway via the live SCRs on Access and Forward Charging and Targeted Charging.
<p>Q4: Do you agree with our preferred implementation approach (Option 2)?</p> <ul style="list-style-type: none"> • If so, do you have any additional observations on what we should consider when further developing this approach, including which code provisions should be considered within the scope of governance arrangements? • If not, please provide details. 	<p>No. Our preference is for implementation approach Option 3. Each code consolidation should have its own separate Significant Code Review working closely with industry. This could be in stages as follows in chronological order:</p> <ol style="list-style-type: none"> 1) <u>SCR Transmission Code and Combined UNC</u> - prioritised and can be aligned with setting up the FSO who we assume would have a key role. <p><i>[SCR MHHS – Suppliers and Network parties work on successfully delivering the MHHS plan in 2023 and 2024.]</i></p> <ol style="list-style-type: none"> 2) <u>SCR Retail</u> – a new SCR could be launched in 2025 to review consolidating the SEC and REC. This could be quick-win as both codes are already dual-fuel and currently managed by the same parent company. 3) <u>SCR Electricity Network Code</u> – not urgent as this area already has two significant reforms underway via the live SCRs on Access and Forward Charging and Targeted Charging. <p>We would welcome Ofgem explaining further why Option 3 would delay the appointment of code managers in comparison to Option 2.</p>

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Q5: Are any of the contents we have identified for the licence conditions unnecessary, or, would be more effectively covered outside of the licence (e.g. in the codes)?	No.
Q6: Are there any additional areas that should be subject to licence rules?	<p>Yes. We recommend licensed code managers should have the same duty to co-operate with Authority led Significant Codes Reviews as industry licensees (i.e. as per SLC 20.10 and 20.11 under the Electricity Distribution licence).</p> <p>Also, we recommend that all licenced code managers need to have an obligation of some form to work with other parts of the industry overall to benefit consumer interests.</p>
Q7: Do you agree with our indicative prioritisation for policy development, and do you identify any specific dependencies that you think we should factor into our policy considerations?	<p>Yes. We agree with the indicative prioritisation for policy development.</p> <p>Yes. The following areas are dependencies that should be factored into their policy considerations:</p> <ul style="list-style-type: none"> • DCC Licence Review, • DCC Switching Incentive regime, • REC CP0025 'Service Provider Performance Charges' (DCC), • SECMP218 'SEC Charging Methodology'; and • DCUSA CP '417 Ability for the DCUSA Secretariat to raise Change Proposals'. <p>All these change proposals and Ofgem reviews will have an impact on how code managers operate and are incentivised regarding their performance.</p> <p>We also recommend:</p> <ul style="list-style-type: none"> • existing Code Administrators/Managers have a requirement to: <ul style="list-style-type: none"> – notify Ofgem of any new change proposals which should factor into any Ofgem policy considerations. – ensure working with Ofgem and industry that any reforms impact BAU change control in a timely way with impact on customers being prioritised whether reform or reform lead. Refer to our response to Q11 regarding areas for improvement and lessons learnt from the REC and retail codes consolidation reform. • Ofgem instigate a freeze on code reform governance arrangements at appropriate points of code consolidation stages – excluding changes which would promote rationalisation and/or simplification of the codes.

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<p>Q8: Are there any issues that we should take into account when considering moving the current 'code owner' licence provisions to the new code manager licence (such as unintended consequences)?</p>	<p>Yes. The following issues should be considered:</p> <ol style="list-style-type: none"> 1) <u>Conflicts of interest</u> – if the code manager may modify the code in the absence of a Code Panel with stakeholder scrutiny and accountability; Ofgem will require processes in place to prevent a conflict of interest in the Code Manager proposing changes which are advantageous to the Code Managers business development, performance and allowed revenue/incentives/penalties. 2) <u>Loss of industry valuable knowledge</u> – the disbandment of Code Panels will create a skills gap. Code administrators would need to recruit experts to fill that skills gap to effectively impact assess and prioritise change proposals. 3) <u>Ofgem oversight of wider licence landscape (both code managers and industry) and decision-making body on material changes</u> - Ofgem should remain the decision-making body and ensure that when code managers are supporting the delivery of Ofgem's strategic change, the facilitation of this is also compatible with industry licence arrangements. For example, we would welcome assurances that Ofgem remain the decision-making body for material code changes and the appeal body for significant decisions made by the licensed code managers in light of the disbandment of code panels.
<p>Q9: What do you think the stakeholder advisory forums' key roles and/or functions should be, and what areas (other than code change) should the forum(s) potentially have a role in?</p>	<p>We are disappointed that Ofgem remain decided that Code panels will be disbanded, and Code Managers should not be bound by the advice of the stakeholder advisory forums.</p> <p>We request further refinement and a separate dedicated consultation on how Code Managers would act on the advice from industry stakeholder advisor forums to prevent them from becoming non-viable and to ensure they are set up correctly to achieve the high-level ambitions and have early support and buy-in from industry stakeholders. We agree it is crucial code parties and other stakeholders remain involved and engaged in code governance.</p> <p>While prioritisation and development of changes are ultimately the responsibility of the Code Manager there should be a requirement for the Code Manager to formally consider the views of forum members and be bound to set out why a decision has been made especially if the Code Manager is not acting on that advice. This will ensure that all views are heard, and the Code Manager can be seen to engage across all users of the Code.</p> <p>Some parties have already shown a readiness to take further action – via appeals to the CMA, which might occur more frequently, where Ofgem is less involved itself and industry's input on behalf of the customers they serve has been to an extent, muted compared to previous arrangements.</p>

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<p>Q10: What options/issues should be considered in terms of constituting the stakeholder advisory forum(s), in terms of membership and securing appropriate representation?</p>	<p>We are unable to answer this question in the absence of clarity on the role/terms of reference of the SAF and if Code Managers are not bound to act on the advice from the SAF.</p> <p>We request Ofgem issue draft terms of reference and membership as part of a separate consultation on the SAFs providing a 'SWOT' analysis of current code panels versus proposed new SAFs to aid with decision-making on the role of the SAF and membership.</p> <p>We would welcome a clear view of what the SAF needs to do and how it will work – i.e. the SAF's role. Depending on the role the SAF might look and operate differently.</p> <p>If the role is:</p> <ul style="list-style-type: none"> • forum for sharing views - should this be chaired by Ofgem. And if the advice from SAF is non-binding on members we recommend anyone can turn up from industry, it is infrequent, and essentially a broad stakeholder meeting with slots offered to ENA, Energy UK etc), • informal – it could operate without membership and have an independent chair, where anyone can raise issues but a responsibility would be placed upon the code manager to reflect on the issues and respond.

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<p>Q11: Are there any lessons learnt (either good or bad) from the current code arrangements that should be considered?</p>	<p>Yes. The following are lessons learnt from other codes:</p> <p><u>Areas doing well</u></p> <ul style="list-style-type: none"> • <i>SEC - SEC Panel challenge and scrutiny of the DCC central delivery service</i> – the SEC Panel and outgoing chair effectively and transparently monitor and challenge DCC central delivery service to SEC parties. The outgoing chair was visible and vocal on Ofgem DCC licence review and price control review workshops. The SEC panel had a key role to play in the independent audits of the DCC performance. We recommend all code panels have a role (whether current or under energy code reform) to challenge code manager and central delivery body services. We do not believe the equivalent challenge or scrutiny exists for Elexon under the BSC. We recommend this is rectified under the energy code reform and licensing or code managers. • <i>REC - creation of code issue group in November 2022</i> – DNOs have collectively provided feedback to both Elexon and RECCo that following the cessation of the Master Registration Agreement (MRA) and its MRA Development Board (MDB) on which industry had a seat and vote and the MDB's sub group – Issues Resolution Expert Group – there was no forum at which industry could raise issues regarding metering registrations services (referred to as the SMRS under the BSC, EMRS under the REC and MPRS in our licence). RECCo have acted upon this feedback and nearly a year after the creation of the RECCo have created a REC Issues Group. Elexon's response is they don't believe a dedicated BSC issues group is required. We recommend all codes have an issues group upon which industry can sit and raise and debate issues with Code managers and others. <p><u>Areas for improvement:</u></p> <ul style="list-style-type: none"> • <i>REC – prioritisation and transparency of progressing change proposals</i> – we submitted a REC change proposal R0053 24/7 Emergency Services in June 2022 which should have scored high on customer impact from the RECCo prioritisation matrix. Yet RECCo only progressed this change proposal to its first impact assessment seven months later and issued a Request for Information (RFI) in January 2023. RECCo has subsequently apologised for the severe delays in issuing the RFI and have published a revised prioritisation matrix to learn lessons. We recommend all codes have a transparency and common change proposal process and prioritisation matrix for all change proposal. The matrix should be weighted towards change proposals which impact customers supply over other customers issues such as switching. We recommend Citizens advice could be involved especially from a vulnerable customers perspective. We also recommend certain proposals should be flagged as high priority on the code portals and fast tracked.