



Via email:

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03<sup>rd</sup> February 2023

**Ref: Energy Code Reform: Call for Input**

Dear All,

RWE is leading the way to a green energy world. With an extensive investment and growth strategy, the company will expand its powerful, green generation capacity to 50 gigawatts internationally by 2030. RWE is investing €50 billion gross for this purpose in this decade. The portfolio is based on offshore and onshore wind, solar, hydrogen, batteries, biomass and gas.

RWE Supply & Trading provides tailored energy solutions for large customers. RWE has locations in the attractive markets of Europe, North America and the Asia-Pacific region. The company is responsibly phasing out nuclear energy and coal. Government-mandated phaseout roadmaps have been defined for both of these energy sources. RWE employs around 19,000 people worldwide and has a clear target: to get to net zero by 2040. On its way there, the company has set itself ambitious targets for all activities that cause greenhouse gas emissions. The Science Based Targets initiative has confirmed that these emission reduction targets are in line with the Paris Agreement. Very much in the spirit of the company's purpose: Our energy for a sustainable life.

**Overview**

- Code reform is a low priority when taken in to consideration with the wider context of policy developments such as the overhaul of the grid planning process, connection reform and code change that is integral to reaching Net Zero. Only necessary code reform should be undertaken and it should not cause disruption to the code change process.

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**RWE Supply & Trading GmbH** (Swindon Branch) Registered No. BR7373

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- Two further design objectives should be included to ensure code reform seeks to facilitate co-ordinated and strategic whole systems planning which will enable the development of an effective Future Systems Operator (FSO) and to design the codes to better facilitate change to aid the industry reaching Net Zero.
- RWE holds a preference for a licence lite approach with the majority of the code managers provisions to be set out in the code rather than the licence that is not easily changeable and for the code manager to be party to the code. Any changes to the code manager provisions should be approved by Ofgem.

I hope you find this response useful, if you have any questions or would like to discuss any of our response further, please do not hesitate to contact me.

Yours sincerely,

**Name: Claire Hynes**

Title: Industry Codes Manager

RWE Renewables & RWE Supply & Trading GMBH

#### **Energy Code Reform : Call for Input Questions**

##### **Code Consolidation**

**Q1: Do you agree with the design principles proposed to frame our assessment of code consolidation options? If 'no', please explain why.**

RWE agrees that the current design principles appear appropriate. There may be a benefit to including two further design objectives, to ensure code reform seeks to facilitate co-ordinated and strategic whole systems planning which will enable the development of an effective Future Systems Operator and to design the codes to better facilitate change to aid the industry reaching Net Zero.

RWE supports code governance reform that does not disrupt core programmes of work such as changes to facilitate the Holistic Network Design (HND), TNUoS reform and the development of the Future System Operator which is key to enabling a wider range of technology being connected to the grid and reaching Net Zero.

**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.**

RWE would welcome a more constructive view of the synergies and benefits of code consolidation from the perspective of the user's interaction with the codes.

The Cornwall insight's report takes a qualitative assessment approach to the code consolidation options. It would also have been beneficial to understand the cost benefit analysis that comes from consolidating these codes before making a decision.



Following the Competition and Markets Authority's (CMA) investigation into the GB energy market in 2016, the industry codes reviewed their governance arrangements to create a more common approach. As a result, we consider that less benefit may be realised than expected from undertaking this process for a second time under the no code consolidation option.

We do not see the benefit to horizontal code consolidation outside of the retail codes. It would introduce dual fuel codes, which would not reflect stakeholder engagement with the codes and where these fuels are inherently different lead to the development of codes that lack an easy to follow structure.

If code consolidation is to be pursued, we have a preference for vertical code consolidation as it is likely to have less impact on the industry during a time of significant change.

RWE suggests that Ofgem should consider the timing of this code reform if they expect to introduce Locational Marginal Pricing (LMP) which will cut across the CUSC, BSC and various other codes. We also note that the Cornwall Insights paper does not evaluate where the new codes of hydrogen and carbon dioxide will sit in the new arrangements.

**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:**

- **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.**

Code reform is a low priority when taken in to consideration with the wider context of policy developments such as the overhaul of the grid planning process, connection reform and code change that is integral to reaching Net Zero. Only necessary code reform should be undertaken and it should not cause disruption to the code change process.

We do not believe it is appropriate for code reform to take place before REMA is complete. Should a nodal wholesale market be introduced, much of the Grid Code and most of the Balancing and Settlement Code (BSC) will become obsolete and require completely new content and drafting. We do not think it would be an efficient use of resources to reform codes until we know they will be enduring.

Of the options presented, we consider Vertical (option 1B) to be the most appropriate as it is in line with existing stakeholder engagement with the codes. For example, engineers are more likely to be engaged with the technical codes of Grid code, SQSS, STC and D Code and charging experts with the commercial codes of DCUSA and CUSC.

Should Ofgem wish to further evaluate the benefits of future rationalisation of the codes, they should consider building on NGESO's on-going work to create a digital whole system code utilising the D code, Grid Code and SQSS by 2026 which may reduce transition timeframes.



**Q4: Do you agree with our preferred implementation approach (Option 2)?**

- 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.

We are keen for a lighter touch approach to code consolidation to be taken to ensure the least disruption and therefore agree that a common contractual framework with governance arrangements is appropriate. Future rationalisation of the codes could be considered at a later date and build on existing work undertaken by NGESO.

**Code Manager Licensing**

**Q5: Are any of the contents we have identified for the licence conditions unnecessary, or, would be more effectively covered outside of the licence (eg in the codes)?**

A wide range of the powers proposed in the licences already exists in the provisions of the codes. Ofgem should investigate whether these provisions would be better managed in the codes, with any changes required facilitated by the codes change process.

As a first priority, Ofgem should set out a view of the funding arrangements that will result in charges being levied on code parties and industry code incentives to make it clear how it will be managed and how the codes will be held to performance standards.

Complying with the Delivery Plan and Report on Progress

RWE does not support the prioritisation of code changes. The CUSC Panel currently determines whether or not a proposer's modification is prioritised, which can leave changes with low prioritisation on-hold indefinitely. We do not believe that this lack of progression is in the spirit of the change process and note that other codes do not take this approach. The code body should undertake regular annual reviews to ensure that it is sufficiently resourced to meet the required industry change.

In the case of a code manager choosing to approve or not approve of a code change, then the appeals process set out for self-governance changes will need to be extended to give code parties an opportunity to dispute the decision.

**Q6: Are there any additional areas that should be subject to licence rules?**

No comment.

**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?**

No comment.



**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)?**

RWE holds a preference for a licence lite approach with the majority of the code managers provisions to be set out in the code and for the code manager to be party to the code. Any changes to the code manager provisions should be approved by Ofgem.

Code obligations should be placed on the Code Manager to ensure timely provision of information and ensure relevant stakeholders meet their commitments. If the Code Manager is not in compliance with their code or licence requirements, or is not meeting their performance standards, remedial measures should be enacted to manage the code bodies service back to a satisfactory level.

RWE welcomes a view from Ofgem on the funding arrangements and incentives that will set out how Ofgem envisions managing the codes as an early priority in this process.

**Stakeholder Advisory Forum**

**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?**

The complex nature of industry codes and the energy systems themselves means that the code manager could not realistically have the resources with expertise in every facet of the code or understand how changes will impact important stakeholders. It is therefore important that not only does the Stakeholder Advisory Forum contain representation that is reflective of the parties to the industry code in a similar form to Code Panels but that it also encourages the utilisation and participation of industry expertise to aid the Code Manager to provide resource and knowledge in order to deliver effective change for all. Given that industry advice will not be binding, the Code Manager should be held accountable by providing an explanation should it go against the advice received.

Stakeholders may also be better able to provide a detailed view on cross code impacts due to the knowledge of the arrangements that apply to their operations, technologies and costs.

We are supportive of increased direction to codes through Ofgem’s Strategy and Policy Statement (SPS) but concerned that Code Managers will carry out wider programmes of change without input from industry parties that are better positioned to understand the priorities of their area of the industry. We suggest that changes proposed from the SPS should be passed via the critical eye of the industry for comment at an issues forum to aid the Code Manager in developing effective change. We also believe that introducing an explicit objective into each of the codes to support a cost-efficient transition to Net Zero would allow for proper assessment of each code change in line with the long-term direction of the industry.

**Q10: What options/issues should be considered in terms of constituting the stakeholder advisory forum(s), in terms of membership and securing appropriate representation?**

Stakeholder Advisory Forums should contain representation that is reflective of the parties to the codes and include a certain level of quoracy to allow the code administrator to demonstrate that they have engaged sufficiently with Parties. All attendees should attend for the benefit of the code and not due to



parties commercial interests. It should follow an open governance process to allow for wider engagement and for subject experts to attend when the Code Manager is covering a topic of interest.

As parties will be paying for the codes service, the Stakeholder Advisory Representative should be in a position to review and provide feedback on service provider performance.

An annual consultation should occur on the code services that the Code Manager forecasts it will be spending its budget on with parties to the code. Code Managers should be duty bound to respond to any challenges parties have raised and seek views on parties experience of third party contractor services before re-procuring a third party service.

**Q11: Are there any lessons learnt (either good or bad) from the current code arrangements that should be considered?**

RWE does not support the prioritisation of code changes. The CUSC Panel currently determines whether or not a proposers modification is prioritised which can leave changes with low prioritisation on-hold indefinitely. We do not believe that this lack of progression is in the spirit of the change process. The code body should undertake regular annual reviews to ensure that it is sufficiently resourced with the right expertise to meet the required industry change.

Where there are large overarching programmes of work required such as the industry reaching Net Zero, the codes should have an overarching objective to aid the industry in reaching the target through constructive change work programmes and cross code facilitation with progression reports to Ofgem and code parties.