

Electricity Distribution Network response to the Ofgem consultation on the implementation of energy code reform

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Introduction

About ENA

Energy Networks Association represents the companies which operate the electricity wires, gas pipes and energy system in the UK and Ireland.

We help our members meet the challenge of delivering electricity and gas to communities across the UK and Ireland safely, sustainably and reliably.

- Create smart grids, ensuring our networks are prepared for more renewable generation than ever before, decentralised sources of energy, more electric vehicles and heat pumps. Learn more about our [Open Networks programme](#).
- Create the world's first zero-carbon gas grid, by speeding up the switch from natural gas to hydrogen. Learn more about our [Gas Goes Green programme](#).
- Innovate. We're supporting over £450m of [innovation investment](#) to support customers, connections and more.
- Be safe. We bring our industry together to [improve safety](#) and reduce workforce and public injury.
- Manage our networks. We support our members manage, create and maintain a vast array of electricity codes, standards and regulations which supports the day-to-day operation of our energy networks.

Together, the energy networks are [keeping your energy flowing](#), supporting our economy through [jobs](#) and investment and [preparing for a net zero future](#).

Our members and associates

Our members include every major electricity and gas network operator in the UK and Ireland, independent operators, National Grid ESO which operates the electricity system in Great Britain and National Grid which operates the gas system in Great Britain. Our affiliate membership also includes companies with an interest in energy, including Heathrow Airport and Network Rail¹.

Consultation Response

This consultation response is made on behalf of ENA, as the Distribution Code Administrator. Acknowledging that this consultation and questions relate to all 11 codes, and DNOs will provide their own individual responses, this response focuses on the views and impact of the proposals from the aspect of the Distribution Code and the technical code reform only.

Designation of codes and central systems

Q1. Do you agree that we should recommend to the Secretary of State that the 11 industry codes listed (including the SQSS) should be designated as “qualifying documents” for the purposes of using our transitional powers in the Energy Act 2023 to deliver energy code reform?

ENA and its Electricity Network Operators (ENOs) agree that the 11 current codes be designated as qualifying documents for the purpose of transition, consolidation and selection of suitable Code Managers providing it is recognised that any modifications proposed by Ofgem under the powers of EA 23 do not compromise the safe and reliable operational of the network nor impose obligations on network operators outside of the agreed RIIO ED2 regulatory business plans.

Q2. Do you agree that we should recommend to the Secretary of State that the 5 central systems listed (including the Central Switching Service) should be designated as “qualifying central systems” for the purposes of using our transitional powers in the Energy Act 2023 to deliver energy code reform?

No Comment

Code consolidation

Q3. Do you agree with the monetised costs and benefits set out in the accompanying draft impact assessment (i.e. the quantitative analysis)? Please specify if you think there is any further evidence that we should consider.

Distribution Code is currently managed by ENA on behalf of DNOs and stakeholders on a not-for-profit basis utilising internal resources and staff. We do believe there will be significant additional cost and resource uplift in managing the Distribution Code in accordance with the requirements of the Code Manager structure. We agree management of a consolidated technical code under one Code Manager has potential benefit to customers but the cost in managing a consolidated code would be subject to understanding the current cost to customers in managing Grid Code, STC and SQSS individually. If there are savings, it is unlikely that these will be realised immediately.

Code consolidation of Distribution Code, Grid Code, STC and SQSS will need to be undertaken in parallel to the running of the existing separate codes and of the network itself, for a transitional period. As such, costs for external support to the DNOs and the existing Code Administrators over an extensive period must be factored into any code consolidation costs.

Q4. Do you agree with the hard-to-monetise costs and benefits set out in the draft impact assessment (i.e. the qualitative analysis)? Please specify if you think there is any further evidence that we should consider.

While we agree with the principal outputs of code consolidation, the amount of time and resources and the complexities in aligning and consolidating the technical codes should not be underestimated. As well as ensuring that the technical and legal aspects of each code are maintained, consideration should also be given to maintaining

an effective “chain of command” between Grid Code and Distribution Code parties particularly during emergencies and system restoration.

Q5. Do you agree with our preferred option to consolidate the CUSC and DCUSA to form a unified electricity commercial code?

No comment.

Q6. Do you agree with our preferred option to consolidate the Grid Code, STC, SQSS and Distribution Code to form a unified electricity technical code?

ENA is pleased to see previous responses have been taken into consideration by Ofgem in developing the proposals for code consolidation and the technical, commercial and retail requirements of network regulation and management are being kept separate. As highlighted in Q4 the consolidation of the four technical codes will be a complex and lengthy process and it is important to recognise the differences in operation and technical requirements of the Transmission and Distribution networks. It is important to emphasise that these codes place legal and contractual obligations on parties and that changing the technical requirements on any party (particularly if retrospective) could have financial implications for them. Consideration should be given to clarifying whether the scope of the new technical code includes the Annex 1 and 2 documents sitting within the Distribution Code structure, and who should manage them.

It is understood that a high-level code consolidation, focussed on the governance arrangements, will be undertaken by Ofgem and that consolidation of the separate Code documents and standards will then become the responsibility of the Code Manager, once appointed. ENA can see the merits of focussing on harmonising the governance arrangements but are concerned by the development of ‘a standard set of defined terms’ within this initial consolidation; previous attempts to do this in just one code, the Grid Code, has demonstrated that this is a complex area that can easily have multiple technical implications and unintended consequences. ENA has concerns regarding the time that would be made available to undertake code consolidation as it is a complex and lengthy task and draw attention to the recent exercise to rationalise OC2 in the Grid Code, where the modification of just one part of the Code is taking an extensive amount of time and resources from across the industry. ENA would request a review of the value to customers in undertaking the rationalisation and consolidation of the four codes and whether alternatives, for example digitalisation, AI search function, might deliver better value for customers in place of consolidation.

Q7. Do you agree with our preferred option to consolidate the UNC and IGT UNC to form a new unified gas network code? Q8. Do you agree with our proposals to rationalise the identified code provisions as part of any consolidation exercise?

No comment

Strategic direction

Q9. Do you agree with our proposal to publish the first SDS for all codes next year (before code managers are in place)?

ENA welcomes the assessment of government policies and developments and of the government’s published Strategy and Policy Statement (SPS) with regards to the energy sector but care must be taken to ensure that they are flexible to accommodate the changes in relationships and how the networks operate over the transition period, and to be able to accommodate differences in code management, how different codes are modified, aligned and consolidated at different times.

Q10. Do you have views on the proposed SDS process?

The first SDS will have to be aligned with RIIO ED2 requirements and/or reopener opportunities and subsequent SDS's and RIIO ED business plans need to be aligned to ensure the SDS does not place any additional unfunded regulatory obligations on network operators.

Q11. Do you agree with our proposal that a principles-based standard condition for gas and electricity licensees would support the development and delivery of code modifications related to the SDS?

We believe that the current licence conditions and active licensee support in place are adequate until further information regarding code consolidation and management is in place.

Code governance arrangements

Q12. Do you agree with our preferred option for how a Stakeholder Advisory Forum should be constituted?

While further clarification of the role of “paid independent members” and their function and influence is required, we broadly agree with the Option 3 proposal for the SAF on the basis that the industry requirements for technical code modifications shall not be proposed, blocked or countered by non-code parties because of commercial implications or benefit. It is imperative that the Code Manager has the power to be allowed to select and de-selected parties involved with the stakeholder forum to ensure the best fit of experience and understanding of the modification proposal.

Electricity network industry engagement must be maintained with every technical code modification and the Code Manager should be obligated to ensure that engagement take place in a timely and efficient manner.

Q13. What are your views on i) a requirement to assess the greenhouse gas impact of code modifications with updated guidance, or, ii) introducing a ‘net zero’ code objective?

Our understanding of the proposal is that net zero impacts would be qualitatively considered in the same way existing objectives, insomuch as whether the modification has a negative, positive or neutral impact – we support this approach.

Q14. Do you agree with our proposal to extend and harmonise the ability of code panels to prioritise the assessment of code modification proposals?

The Code Manager should be permitted to prioritise modifications to their Code(s) following consultation and agreement with the SAF.

Transition

Q15. Do you agree with our proposal to adopt a phased approach to transitioning codes to the new governance model?

We agree with a phased approach to transitioning. Lessons learned will need to be communicated to all code administrators / managers to facilitate improvements in the process and it will be essential to ensure adequate time is given and resources allocated, both in the code parties organisations and in Ofgem, to ensure the transition and any associated modifications are duly reviewed and implemented.

Q16. Do you identify any strategic or operational considerations that might inform the transition sequence?

Providing transition can be achieved with no legal or technical modifications there should be no operational considerations. However, the strategic plan must be clear, setting out achievable milestones, and aligned with industry obligations.

Q17. What are your views on our proposed transition sequencing?

We broadly agree with the sequencing but again highlight the complexities and time required to implement changes.

Q18. Do you have any other comments on how Ofgem should approach the implementation and transition process

No comment.



