

# Decision

---

## The preliminary Strategic Direction Statement and governance arrangements for industry codes

Publication date:	01 August 2025
Contact:	Ellie Baker
Team:	Code Governance Reform
Email:	industrycodes@ofgem.gov.uk

On 31 January 2025, we published our consultation on the preliminary Strategic Direction Statement and governance arrangements for industry codes. This document considers the responses from 34 organisations and details our decisions on developing and implementing the Strategic Direction Statement (SDS), with the final preliminary SDS published as a subsidiary document.

Alongside this, we detail our current position on a consistent code modification prioritisation process and a licence obligation to cooperate with the code modification process where it supports SDS alignment, at a code manager's reasonable request.

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

© Crown copyright 2024

The text of this document may be reproduced (excluding logos) under and in accordance with the terms of the [Open Government Licence](#).

Without prejudice to the generality of the terms of the Open Government Licence the material that is reproduced must be acknowledged as Crown copyright and the document title of this document must be specified in that acknowledgement.

Any enquiries related to the text of this publication should be sent to Ofgem at:  
10 South Colonnade, Canary Wharf, London, E14 4PU.

This publication is available at [www.ofgem.gov.uk](http://www.ofgem.gov.uk). Any enquiries regarding the use and re-use of this information resource should be sent to: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk)

## Contents

<b>The preliminary Strategic Direction Statement and governance arrangements for industry codes .....</b>	<b>1</b>
<b>Executive Summary .....</b>	<b>4</b>
The Strategic Direction Statement .....	4
Code governance arrangements .....	4
<b>Introduction.....</b>	<b>6</b>
Context and related publications .....	7
Our decision-making process .....	8
Next steps .....	9
<b>1. Preliminary Strategic Direction Statement .....</b>	<b>10</b>
Consultation position .....	11
Summary of consultation responses.....	12
Next steps .....	28
<b>2. Code governance arrangements .....</b>	<b>29</b>
Background .....	29
Prioritisation of code modifications.....	29
Summary of consultation responses.....	31
Next Steps .....	46
Role of stakeholders.....	47
Background .....	47
Consultation position .....	47
Summary of consultation responses.....	48
Next steps .....	50
<b>Appendix 1 – Consultation questions .....</b>	<b>52</b>
<b>Appendix 2 – Subsidiary documents .....</b>	<b>54</b>
<b>Appendix 3 – Glossary .....</b>	<b>55</b>

## Executive Summary

### The Strategic Direction Statement

This decision outlines Ofgem’s approach to developing and implementing the Strategic Direction Statement (SDS), a new annual publication required under the Energy Act 2023. The SDS contains a strategic assessment of government policies and developments in the energy sector that we consider will or may require code modifications. It categorises policy areas into three time horizons: ‘Act now’, ‘Think & plan’, and ‘Listen & wait’, which most stakeholders found helpful for planning and budgeting.

We have decided to retain the structure, categorisation and prioritisation of the SDS. In most cases, we have decided to retain the time horizon categorisation and the codes expected to be affected in each policy area. However, in some cases, changes have been made to policy categorisation and affected codes, alongside the addition of new policy areas. These changes reflect consultation feedback and recent developments.

In this decision, we have discussed implementation of the SDS, including stronger cross-code collaboration and enhanced stakeholder engagement. We are committed to supporting this transition to new code governance arrangements and considering tracking the progress of SDS modifications in future statements. The next formal SDS is expected to follow the appointment of code managers in 2026.

### Code governance arrangements

The transitional powers provided by the Energy Act 2023 give Ofgem the ability to modify licences and codes. Schedule 12 to the Act sets out the process relative to a proposal to modify a code or a licence for the purposes of code reform. At the time of our January consultation<sup>1</sup>, not all of the industry codes currently subject to the reforms had been designated as qualifying documents for the purposes of Schedule 12.

Therefore, in our January consultation we set out our policy proposals regarding certain governance changes, with a view to informing our preparation for a future consultation under Schedule 12.

This document sets out our emerging thinking on the introduction of two specific overarching policies: (i) code modifications to implement a consistent code modification prioritisation process across all industry codes; and (ii) a licence obligation within all

---

<sup>1</sup> [Consultation on the preliminary Strategic Direction Statement and governance arrangements for industry codes | Ofgem](#)

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

electricity and gas licences obliging licensees to cooperate with the code modification process where it supports SDS alignment, at a code manager's reasonable request.

In formulating our emerging thinking, we have given careful consideration to all responses received to the January consultation and have concluded that we will proceed with a further consultation pursuant to Schedule 12. In some aspects of our policy development, there are new additions that have arisen as part of our analysis. In light of that, for transparency, we are sharing alongside this document, 'Annex A: Proposed legal drafting of code modification prioritisation procedure' and 'Annex B: Proposed Authority guidance on code modification prioritisation', which are intended to be read alongside this document. These contain text that formed part of the January consultation, as well as some new text we are giving consideration to. We have not made any final decisions regarding the implementation of our policy proposals or the content of these Annexes and there will be further opportunity for stakeholders to respond pursuant to the Schedule 12 consultation.

## Introduction

- 1.1 The Energy Act 2023 sets out a major package of reform to the governance of the industry codes, including new powers and responsibilities for Ofgem. Energy code reform aims to ensure industry codes can adapt to the evolving energy sector, enabling change to be delivered more efficiently and effectively in the interests of consumers, while facilitating the transition to net zero. These reforms include giving Ofgem powers to appoint and license code managers and establishing an obligation for Ofgem to publish an annual Strategic Direction Statement (SDS) for designated documents.<sup>2</sup>
- 1.2 We proposed the development and publication of a preliminary SDS to support the transition to a reformed code governance framework in the energy sector. Our aim was to provide early clarity on how current government policies and sector developments might necessitate changes to industry codes. Following our January 2024 consultation, where most respondents supported this approach, we committed to publishing a preliminary SDS in 2025. For ease, we will refer to this preliminary SDS as the 'SDS' throughout this document.
- 1.3 Given the energy system's central role in achieving the UK's net zero targets, it is both timely and proportionate that we undertake a strategic assessment of policy relevant to codes. By publishing the SDS ahead of code manager appointments and our formal obligation coming into effect, we have sought to prepare stakeholders for code governance reform, refine the SDS process, and enable early strategic change within the existing governance framework. We engaged with code administrators, panels, and central system delivery bodies through workshops in summer 2024, allowing stakeholders to actively contribute to the development of our approach to the SDS.
- 1.4 We also proposed a harmonised process for code panels to prioritise modifications using consistent criteria across all codes<sup>3</sup>. Alongside this, we consulted on legal drafting for a new standard licence condition that would require licensees to

---

<sup>2</sup> Designated documents refers to the industry codes that will be designated by the Secretary of State (per s.182 of the Energy Act 2023) prior to code manager appointment. The first code manager is expected to be appointed in 2026. This designation is distinct from the designation of 'qualifying documents' (per paragraph 1 of Schedule 12 to the Energy Act 2023) which is a transitional designation to allow use of Ofgem's transitional powers on codes that have been designated as qualifying documents.

<sup>3</sup> All codes refers to every code text and related document that has been designated as a 'qualifying document' by the Secretary of State as part of the [Designation Notice \(amended and consolidated\) under paragraphs 1\(1\)\(b\) and 1\(5\) of Schedule 12 to the Energy Act 2023 designating certain documents and central systems for the purposes of Schedule 12 to the Energy Act 2023](#)

---

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

cooperate with code managers on SDS-related changes. This obligation would come into effect upon the appointment of the first code managers, expected in 2026.

1.5 In this document, we describe our decisions on the development process, implementation and content of the SDS, alongside the conclusions and rationale for our positions on the potential introduction of a new standard licence condition and a harmonised prioritisation process for code modifications.

1.6 Alongside this decision, we have published updated versions of the following documents:

- Subsidiary Document 1 - Preliminary Strategic Direction Statement for industry codes
- Subsidiary Document 2 - Preliminary Strategic Direction Statement spreadsheet
- Subsidiary Document 3 – Annex A: Proposed legal drafting of code modification prioritisation procedure
- Subsidiary Document 4 - Annex B: Proposed Authority guidance on code modification prioritisation

## **Context and related publications**

1.7 On 19 December 2024 the Department for Energy Security and Net Zero (DESNZ) announced a [Review of Ofgem](#). The aim is to review the role of Ofgem to ensure that it can support an energy market where innovation and high standards help drive better products and services for consumers. The review will focus on:

- Ofgem’s mandate
- The powers Ofgem has to protect consumers
- Ofgem’s scope and remit
- The standards Ofgem sets and how redress is made when standards are not met

The call for evidence for the review closed on 28 February 2025, with outcomes expected later in the year.

1.8 Documents related to this publication include:

- [Energy code reform: second implementation consultation](#) (ofgem.gov.uk)

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

- [Energy code reform: Government response to consultation on code manager licensing and secondary legislation](https://publishing.service.gov.uk) (publishing.service.gov.uk)
- [Implementation of Energy Code Reform: consultation decision](https://ofgem.gov.uk) (ofgem.gov.uk)
- [Consultation on the implementation of energy code reform](https://ofgem.gov.uk) (ofgem.gov.uk)
- [Modification Process Workgroup report](https://ofgem.gov.uk) – parts 1 and 2 (ofgem.gov.uk)
- [Energy Act 2023](https://legislation.gov.uk) (legislation.gov.uk)

## **Our decision-making process**

- 1.9 We received 34 responses from a range of stakeholders in response to our consultation. We also engaged with stakeholders during a webinar on the consultation, hosted 3 workshops in April 2025 and engaged with interested parties via bilateral meetings.
- 1.10 We carefully considered all responses raised by stakeholders, even where they are not specifically mentioned in this decision document. We have published all non-confidential responses on our website.
- 1.11 In this document, we refer to various policy decisions that we have taken on the Strategic Direction Statement and our conclusions on our next steps in relation to the proposed new standard licence condition and code governance arrangements.

## **General feedback**

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this consultation process. We'd also like to get your answers to these questions:

1. Do you have any comments about the overall quality of this document?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Are its conclusions balanced?
5. Did it make reasoned recommendations?
6. Any further comments

Please send any general feedback comments to [industrycodes@ofgem.gov.uk](mailto:industrycodes@ofgem.gov.uk).



**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

## Next steps

- 1.12 As we move forward with energy code reform, we are committed to engaging with stakeholders and providing clarity on how we intend to implement the reforms in practice. We aim to adopt a collaborative approach to implementing the necessary changes and value the expertise and experience that stakeholders will bring to this process.
- 1.13 Below we summarise the upcoming code reform publications, planned for the rest of the year:
- **Decision on second implementation consultation** – we expect to publish a decision in autumn 2025.
  - **Modification proposals consultation** – we expect to consult on a selection of modification proposals in winter 2025/26.
  - **Decision on code manager licence conditions and code modification appeals to the CMA** – in collaboration with DESNZ, we expect a decision to be published in winter 2025/26.

# 1. Preliminary Strategic Direction Statement

## Section summary

In this section we set out a summary of responses and our decisions in relation to the development process and implementation of the preliminary Strategic Direction Statement (SDS).

This decision should be read in conjunction with Subsidiary Document 1: Preliminary Strategic Direction Statement for industry codes and Subsidiary Document 2: Preliminary Strategic Direction Statement spreadsheet, which allows SDS content to be sorted by industry code.

## Consultation Questions

Q1. Is the structuring of SDS content into three time horizons (Act now, Think & plan, Listen & wait) helpful?

Q2. Do you agree with the way modifications have been categorised into these three time horizons (Act now, Think & plan, Listen & wait)? If not, please specify what changes you suggest and why.

Q3. On the basis that the SDS should contain a strategic assessment of government policies and developments relating to the energy sector, that will or may require the making of code modifications, do you think there is anything missing from the SDS that you would expect to require code modifications in the next 1-5 years? If so, please specify.

Q4. Did you find the SDS easy to understand and do you think that the level of detail included is sufficient to allow you to begin raising and implementing code modifications?

Q5. If you are a code administrator or code panel what action do you intend to take, if any, to implement the SDS following publication?

Q6. Do you have any suggestions about the best way to implement the SDS in the context of budget setting, delivery planning and the introduction of a harmonised prioritisation process?

Q7. Do you have any other feedback?

## Consultation position

- 1.14 In our consultation, we outlined our proposed approach to the development process and implementation of the Strategic Direction Statement (SDS). This included proposals for the first preliminary SDS which will be published before our obligation under section 190 of the [Energy Act 2023](#) ('the Act') comes into effect. As set out in the introduction, for ease, we will refer to this preliminary SDS as the 'SDS' throughout this document.
- 1.15 We consulted on how the SDS would provide strategic direction for designated industry codes, which are set to be designated by the Secretary of State around the time of code manager appointments. The first code managers are expected to be appointed in 2026. In the absence of designated documents, we proposed that the SDS initially address the codes within the scope of code governance reform<sup>4</sup>. The SDS focuses on modifications needed in the next one to two years, and looks up to five years ahead in some policy areas, to support business planning and accommodate the sometimes lengthy code modification process.
- 1.16 We emphasised that under the Act, the SDS must be published annually, incorporating an assessment of government policies and developments in the energy sector. This SDS assessment was based on the government's Strategy and Policy Statement (SPS) and the Clean Power by 2030 mission. Ofgem's Multiyear Strategy<sup>5</sup> (MYS) also informed the SDS, with the SDS following the same structure as the MYS. Stakeholder engagement was crucial in developing the SDS, with feedback from workshops and consultations helping to shape our approach. We engaged with the Department for Energy Security and Net Zero (DESNZ) and National Energy System Operator (NESO) to inform them of our intended approach and seek their input.
- 1.17 Although there is no express obligation for existing code administrators and panels to implement this SDS, positive feedback during the development process suggested that SDS-related modifications could be implemented under current governance. We set out proposals to continue to engage stakeholders to understand how existing modifications could enable the SDS and discussed budget setting and the progression of SDS-related modifications. We also recognised the importance of Ofgem having the right operating model and

---

<sup>4</sup> New codes, such as the CCS code, are not within the scope of code governance reform and are therefore not addressed in the SDS.

<sup>5</sup> Ofgem's [Multiyear Strategy](#) outlines Ofgem's strategic priorities for the next five years and beyond.

---

**Decision –** The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

resources in place to make modification decisions and attend modification work groups as appropriate.

- 1.18 Our proposals highlighted the importance of the SDS in guiding the strategic development of industry codes, improving alignment with relevant government policies, and supporting the transition to a new governance framework. We set out our expectation that publishing this SDS before code manager appointment would help prepare stakeholders and prospective code managers for their roles, facilitating a smoother transition. Additionally, we explained that we are working with DESNZ and NESO to establish a formal process for them to input into the SDS on an enduring basis, to help ensure that the SDS takes into account relevant government priorities and remains up to date.
- 1.19 Overall, our approach aimed to bring forward the benefits of code governance reform, illustrating the process that we envisaged would be followed in future years. We welcomed feedback from stakeholders to refine this process and ensure that the SDS effectively supports the strategic development of industry codes.

## **Summary of consultation responses**

<b>Q1. Is the structuring of SDS content into three time horizons (Act now, Think &amp; plan, Listen &amp; wait) helpful?</b>
---

- 1.20 A large majority agreed that structuring the SDS content into three time horizons was helpful. They agreed that it provides clarity on what to prioritise and that this will support better business planning and budgeting by allowing stakeholders to anticipate future code changes.
- 1.21 A few raised concerns that some code modifications in later time horizons may be deprioritised, particularly modifications where early scoping work is required.
- 1.22 Many respondents also raised concerns that modifications would not be completed within the specified time horizons, either because modifications might take longer than expected due to the length of the modification process and time required to make system changes or because of resource constraints. It was noted that the implementation of the SDS could lead to constraints in specific areas and clear coordination of industry resource will be required.
- 1.23 Some respondents sought clarity on industry's ability to raise modifications that are not in the SDS and that there would need to be flexibility around how these

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

and existing modifications were accommodated alongside SDS-related modifications.

- 1.24 Some respondents sought clarity on when changes to the SDS would be made during the year, and a few respondents sought further clarity around the category names and timings.

**Decision**

- 1.25 We have decided to retain the SDS structure of three time horizons. We have further refined the definition of the time horizons to remove ambiguity.
- 1.26 We can confirm that industry will still be able to raise modifications that are not SDS-related.
- 1.27 We can confirm that we do not intend to update the SDS mid-year. If there is a substantial change in policy or strategic context this may be communicated to industry via an open letter or similar, but we do not intend to reissue the SDS.

**Rationale for our decision**

- 1.28 We note that the large majority of respondents agree with the structure of the SDS.
- 1.29 In some instances, it will be necessary for modifications in the 'Act now' category to be prioritised over those in later categories. This is the intention of structuring the SDS into time horizons, to guide prioritisation of modifications. We would expect that early scoping could be budgeted for and undertaken for modifications included in the 'Think and plan' category of the SDS, and for modifications in the 'Listen and wait' category to be budgeted for in future years.
- 1.30 We acknowledge concerns that modifications in later time horizons may be deprioritised or that modifications may not be completed within the time horizons due to resource constraints (among other reasons), and that there will be a balance to strike when prioritising modifications. We consider that application of the harmonised prioritisation process will support consistent prioritisation of modifications across the codes and should allow modifications that need early scoping work to be accurately prioritised. In future, code managers and the Stakeholder Advisory Forum will have a role in the prioritisation of modifications and will be able to consider where early scoping work may be required.

- 1.31 As set out in our original consultation, we want to reiterate that industry will still be able to raise non SDS-related modifications. We recognise the expertise of industry stakeholders and that they are uniquely placed to identify certain modifications, such as those to maintain the safety and efficiency of the network. The SDS is a strategic document that will not necessarily anticipate urgent changes that may be required to the codes. For this reason, industry will continue to be able to raise non SDS-related modifications that will follow the same harmonised prioritisation approach as SDS-related mods, to determine how they should be prioritised.
- 1.32 We do not intend to update the SDS mid-year. This is to avoid disruption to business planning and budget setting processes and recognises the importance of stakeholders having a predictable process and long-term sight of upcoming policy and subsequent code changes, where possible.

**Q2. Do you agree with the way modifications have been categorised into these three time horizons (Act now, Think & plan, Listen & wait)? If not, please specify what changes you suggest and why.**

- 1.33 A majority agreed with the categorisation of modifications in the SDS, with some respondents suggesting changing the modification category of specific modifications/policy areas.
- 1.34 Specifically, that policy in relation to the following objectives should move from the 'Think and plan' category to the 'Act now' category:
- *1.2: Work with others to tackle the affordability crisis*
  - *2.1: Improve protections for all consumers, particularly those in vulnerable situations*
  - *3: Enable competition and investability through financial resilience*
  - *5.1: Oversee production and implementation of a new Strategic Spatial Energy Plan*
  - *5.3: Establish Regional Energy Strategic Plans*
  - *6.1: Continue to drive accelerated onshore network investment*
  - *13.2: Continue to drive the benefits of smart meters through regulatory oversight of rollout and data flows*
  - *Adaptability for Innovation*

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

- 1.35 Specifically, that policy in relation to the following objectives should move from the 'Act now' category to the 'Think and plan' category:
- *5.2: Establish and implement mechanisms to realise the Centralised Strategic Network Plan*
  - *7.1: Recover the cost of the existing gas network*
  - *7.2: Prepare for repurposing and decommissioning of the gas grid*
  - *11.2: Reform energy code governance to enable faster, more strategically aligned rule changes across the sector*
  - *Aspects of Objective 14.1: Data Sharing Infrastructure*
- 1.36 Specifically, that policy in relation to following objective should move from the 'Listen and wait' category to the 'Think and plan' category:
- *8.3: Develop new hydrogen transport business models*
- 1.37 Specifically, that policy in relation to following objectives should move from the 'Listen and wait' category to the 'Act now' category:
- *10.4 Build resilience to extreme climate events and long-term climate change*
- 1.38 Some respondents also suggested changing the titles, descriptions or ordering of objectives.
- 1.39 A few respondents said that there should be fewer objectives where the affected codes were listed as 'Unknown'.
- 1.40 A few respondents said that there should be further prioritisation within time horizon categories.

**Decision**

- 1.41 In most instances we have decided to retain policy areas in the same time horizon in which they were included in the preliminary SDS consultation.
- 1.42 On the basis of consultation responses and careful consideration of our policy teams, we are making the following changes to the categorisation of policy areas<sup>6</sup>:

---

<sup>6</sup> *Objective 12.1: Work with government to deliver reforms which set efficient locational incentives for investment and operation across the energy system, and Objective 12.2: Introduce low-regrets near-term reforms to support system efficiency*, have retained their categorisation, however, we note they have undergone significant changes due to the [recent decision on REMA](#) published by government.

---

**Decision –** The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

- *1.2: Work with others to tackle the affordability crisis* will be moved from 'Think and plan' into 'Act now'
- *2.1: Improve protections for all consumers, particularly the vulnerable* will be moved from 'Think and plan' into 'Act now'
- *5.3: Establish Regional Energy Strategic Planners* will be moved from 'Think and plan' into 'Act now'
- Aspects of *6.1: Continue to drive accelerated onshore network investment* will be moved from 'Listen and wait' into 'Think and plan'
- Aspects of *7.1: Recover the cost of the existing gas network* will be moved from 'Act now' into 'Think and plan'
- Aspects of *7.2: Prepare for repurposing and decommissioning of the gas grid* will be moved from 'Act now' into 'Think and plan'
- *10.4 Build resilience to extreme climate events and long-term climate change* will be moved from 'Listen and wait' into 'Think and plan'
- *13.2: Continue to drive the benefits of smart meters through regulatory oversight of rollout and data flows* will be moved from 'Think and plan' into 'Act now'
- Aspects of *14.1: Set governance and standards to digitise system data and improve data sharing* will be moved from 'Act now' into 'Think and plan'
- *14.2: Enable innovation across the sector (Asset visibility)* will be moved from 'Act now' to 'Think & plan'.

1.43 We have decided not to change the titles, descriptions or ordering of objectives.

1.44 We have identified codes relevant to some policy areas that were previously identified as 'Unknown'. There are still some instances where 'Unknown' is a useful label to retain while policy decisions are still to be made.

1.45 We have decided not to further prioritise code changes within time horizon categories.

### **Rationale for our decision**

1.46 We note that the majority of respondents agree with the way modifications have been categorised.



1.47 Changes to the categorisation of policy areas have been made for the following reasons:

*1.2: Work with others to tackle the affordability crisis* moved from 'Think and plan' into 'Act now'.

A statutory consultation is planned to be published on the Debt Relief Support scheme. Following this, it is likely the implementation of any decisions will occur within the 'Act now' time horizon.

*2.1: Improve protections for all consumers, particularly the vulnerable* moved from 'Think and plan' into 'Act now'.

If code changes are required to implement decisions following the outcome of the Consumer Confidence programme, Consumer Vulnerability Strategy and on Priority Services Register data sharing, it is likely they will be required within the 'Act now' time horizon.

*5.3: Establish Regional Energy Strategic Plans* moved from 'Think and plan' into 'Act now'.

The detail of any required code changes will be understood following the approval of RESP Methodology, aiming to enable changes to be made in 2026 – 2027, within the 'Act now' time horizon.

*Aspects of 6.1: Continue to drive accelerated onshore network investment* moved from 'Listen and wait' into 'Think and plan'.

It is likely that possible code modifications to implement 'Community Fund guidance' and 'NESO information gathering powers' specifically would be required between approximately 2027 – 2028, considering current timelines.

*Aspects of 7.1: Recover the cost of the existing gas network* moved from 'Act now' into 'Think and plan'.

The conclusion of the RII0-3 process may impact cost recovery and any subsequent code modifications would likely fall within the 'Think & plan' time horizon.

*Aspects of 7.2: Prepare for repurposing and decommissioning of the gas grid* moved from 'Act now' into 'Think and plan'.

Hydrogen blending, as well as aspects of the other workstreams, are dependent on government policy decision. Therefore, any resulting modifications are expected in the 'Think & plan' timeline.

*10.4 Build resilience to extreme climate events and long-term climate change* moved from 'Listen and wait' into 'Think and plan'.

Ongoing work with DESNZ and NESO, alongside further engagement with industry, should inform what mechanism may be used to strengthen climate resilience, including possible code changes by 2027 – 2028, within the 'Think and plan' time horizon.

*13.2: Continue to drive the benefits of smart meters through regulatory oversight of rollout and data flows* moved from 'Think and plan' into 'Act now'.

Modifications may be required to implement additional policy mechanisms to drive smart meter rollout from 2026, within the 'Act now' timeframe.

*Aspects of 14.1: Set governance and standards to digitise system data and improve data sharing* moved from 'Act now' into 'Think and plan'.

The Data Sharing Infrastructure workstream is likely to require code changes in the next 2 – 3 years, therefore this has been moved into 'Think & plan'.

*14.2: Enable innovation across the sector (Asset visibility)* will be moved from 'Act now' to 'Think & plan'.

The potential imminent modifications related to asset visibility are no longer expected to be required. It is possible other modifications will be necessary in the future.

1.48 We have decided not to change the titles, descriptions or ordering of objectives to retain alignment with Ofgem's central strategic documents, the MYS and Forward Work Programme, that inform SDS content.

1.49 We have identified that additional codes are relevant to some policy areas, as well as ones that were previously identified as 'Unknown', as follows:

*2.2. Protect the interests of non-domestic consumers*

*SEC and DCUSA have been identified as codes relevant to this objective*

Smart metering requirements and changes to the SEC affecting micro business consumers will have an impact upon the non-domestic market. Aspects of the

DCUSA code will impact upon non-domestic energy suppliers and thus could have impacts on the interests of non-domestic customers.

*6.3: Enhance flexibility through electricity interconnection*

*SQSS has been identified as a code relevant to this objective*

Multi-Purpose Interconnectors combine offshore transmission with interconnection which introduces new configurations and power flow dynamics not currently addressed in the SQSS.

*10.1 Pursue security of supply (Grid Forming)*

*D-Code has been identified as a code relevant to this objective*

Grid Forming is a service that could be relevant to both transmission and distribution system connected parties, therefore requirements may need to be added to the D-Code.

*10.4 Build resilience to extreme climate events and long-term climate change*

*UNC and D-Code have been identified as codes relevant to this objective*

Future policy decisions may require code modifications for transporters and those with responsibilities for security of supply, which are relevant to UNC and D-Code.

*12.2: Introduce low-regrets near-term reforms to support system efficiency*

*BSC has been identified as a code relevant to this objective*

Ongoing work to improve the efficiency of the wholesale electricity market and the Balancing Mechanism may require modification to the BSC.

*13.1: Unlock distributed flexibility and regulate load controllers*

*Grid code has been identified as a code relevant to this objective*

Changes to the Grid Code may be required as part of changes being introduced to ensure that participating in a demand side response event does not cause unintended harm to the electricity grid.

- 1.50 We have decided not to further prioritise code changes within time horizon categories. The time horizon categories indicate which policy areas and code modifications should be prioritised on the basis of when we expect code changes should be implemented. The existing approach to categorising modifications allows industry stakeholders, including code managers in future, flexibility to decide how to approach implementation of the SDS. In addition, further prioritisation will be established through the code modification prioritisation

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

process<sup>7</sup> and, in future, code managers and Stakeholder Advisory Forums will have a role in determining the priority of code modifications.

**Q3. On the basis that the SDS should contain a strategic assessment of government policies and developments relating to the energy sector, that will or may require the making of code modifications, do you think there is anything missing from the SDS that you would expect to require code modifications in the next 1-5 years? If so, please specify.**

- 1.51 The majority of respondents did not think there was anything missing from the SDS, or had no view.
- 1.52 Some respondents identified missing policy areas that they thought should be added, including:
- Biomethane, including maximising green gas opportunities and certification of low-carbon gases
  - NESO 'Review of GB Wide Ramping Arrangements' work
  - Future developments for CATOs
  - Frequency Risk and Control governance arrangements
  - Cyber resilience
  - Changes to EU regulatory arrangements
- 1.53 Some respondents thought there could be better links to the strategic context that informs the SDS, specifically the SPS, the government's [Clean Power 2030 Action Plan](#) (CP2030) and MYS.
- 1.54 A few respondents thought there should be reference to the importance of whole-system thinking on gas and electricity generation, as well as gas security of supply.

## **Decision**

- 1.55 Although the majority of respondents did not think there was anything missing from the SDS, several policy areas that will or may require code changes were identified that we agree should be included in the SDS.

---

<sup>7</sup> This prioritisation process will include an assessment of alignment with the SDS and will also consider the importance and complexity of modifications when making prioritisation determinations.

---

1.56 On the basis of consultation responses, an updated strategic review of the sector and careful consideration of our policy teams the following policy areas have been added to the SDS:

- Future developments for CATOs  
Added to Objective 6.1 in 'Listen & wait' category
- Changes to EU regulatory arrangements  
Added to Objective 7.1 in 'Think & plan' category
- Biomethane, including maximising green gas opportunities and certification of low-carbon gases  
Added to Objective 7.2 in 'Act now' category
- Funding hydrogen infrastructure – the Gas Shipper Obligation  
Added to Objective 8.3 in 'Act now' category
- Rollout of Low Carbon Technologies (LCTs)  
Added to Objective 9.2 in 'Act now' category
- NESO 'Review of GB Wide Ramping Arrangements' work  
Added to Objective 10.1 in 'Listen & wait' category
- Frequency Risk and Control governance arrangements  
Added to Objective 10.1 in 'Think & plan' category
- Cyber resilience  
Added to Objective 10.3 in 'Listen & wait' category
- Grid stability requirements  
Added to Objective 13.1 in 'Think & plan' category

1.57 We have updated references to strategic documents, such as the SPS and CP2030 to make links to the SDS clearer.

1.58 We have improved linkages between gas and electricity security of supply sections across the SDS and emphasised the importance of whole-system thinking in these areas.

### **Rationale for our decision**

1.59 We note that the majority of respondents did not identify missing policy areas.

1.60 The new policy areas have been added into the SDS for the following reasons:

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

- Future developments for CATOs: it is possible the Competitively Appointed Transmission Owner (CATO) framework may require code changes in the future, to accommodate adaptations that were not envisaged in the original planning.
- Changes to EU regulatory arrangements: A divergence in regulatory arrangements between GB and the EU could require code changes in the future.
- Biomethane: Code changes are anticipated in the next few years to maximise the potential of biomethane (and other green gases) as a natural gas alternative.
- Funding hydrogen infrastructure – the Gas Shipper Obligation: the GSO is likely to be introduced in 2027 and may require code changes to enable data sharing and funding arrangements prior to implementation.
- Rollout of Low Carbon Technologies (LCTs): code changes may be required to the REC and DCUSA to accelerate installation of LCTs, alongside ongoing connections reforms.
- NESO 'Review of GB Wide Ramping Arrangements' work: NESO's review of the impacts of current ramp rates may result in changes to the Grid Code, where current ramp rates restrictions are defined.
- Frequency Risk and Control governance arrangements: changes to the governance of Frequency Risk and Control reports may require changes to the SQSS.
- Cyber resilience: Ofgem is currently working alongside DESNZ, NESO and National Cyber Security Centre (NCSC) on a revised energy cyber resilience strategy. The review will consider all the tools at the government's disposal to implement this strategy, with initial assessment indicating that codes may not be the best vehicle for implementation. However, at this stage all options are still being considered.
- Grid stability requirements: modifications may be required to the Grid Code to accommodate grid stability requirements on load controlling organisations.

1.61 We have updated references to strategic documents, such as the SPS and CP2030, to make the link to the SDS clearer. We hope this improves understanding of the strategic context for the SDS. We have also updated the strategic context to reflect policy changes since our January consultation to ensure the SDS is accurate and up to date.

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

**Q4. Did you find the SDS easy to understand and do you think that the level of detail included is sufficient to allow you to begin raising and implementing code changes?**

- 1.62 The majority of respondents agreed that the SDS was well written and easy to understand.
- 1.63 Some respondents agreed specifically that the SDS had the right level of detail to begin implementing modifications and that the accompanying spreadsheet was useful.
- 1.64 Many respondents thought further detail would be beneficial and assist in the implementation of the SDS. Many respondents also highlighted policy areas that were waiting on a decision, from government or Ofgem, before code changes can be made. This included decisions on the Review of Electricity Market Arrangements (REMA), the future of gas and the role of hydrogen.

**Decision**

- 1.65 We have decided to retain the way the SDS is written and content communicated.
- 1.66 We have decided to retain the level of detail included in the SDS that we consulted upon.
- 1.67 We acknowledge a number of policy areas require decisions from government or Ofgem before code modifications are able to be implemented. We have identified these decisions more clearly in the SDS.

**Rationale for our decision**

- 1.68 We note the large majority of respondents thought the SDS was easy to understand and that the level of detail was sufficient to begin implementing code changes. We have therefore decided to retain the way the SDS is written and its content communicated.
- 1.69 We have decided to retain the level of detail included in the SDS consulted upon, despite stakeholders having conflicting views and some stakeholders seeking more detail. The SDS is a strategic document and we consider it is important that it does not become too granular or prescriptive. We understand stakeholders' desire for further detail and that, in some instances, this stems from this being the first time an SDS has been written and there being uncertainty about how to

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

implement it in the absence of code managers. Please see Q6 below for further detail on implementation of this SDS.

- 1.70 We acknowledge a number of policy areas require decisions from government or Ofgem before code modifications are able to be implemented. It is inevitable that a strategic, forward-looking document like the SDS will include policy areas where policy is still in development and decisions are still to be made. We have identified these decisions more clearly in the SDS and have discussed these with our counterparts in DESNZ.

<p><b>Q5. If you are a code administrator or code panel what action do you intend to take, if any, to implement the SDS following publication?</b></p>
--

- 1.71 Many respondents did not answer this question as they are not a code administrator or code panel. Of the code administrators and code panels that responded to this question, the majority confirmed that the SDS aligns with their existing plans for the upcoming financial year.
- 1.72 Of the code administrators that responded to this question, all set out their next steps to begin implementing the SDS. Several intend to carry out an assessment to map SDS alignment with their existing plans, with one beginning to develop a delivery plan in advance of any formal obligation to do so.
- 1.73 We are encouraged that several other code parties indicated their intention to support SDS implementation in response to this question, with one suggesting that all code parties should add SDS priorities into their 2026/27 business plans.

**Decision**

- 1.74 This question does not require an Ofgem decision but we are encouraged by code administrators' and panels' intended actions in response to the SDS.

**Rationale for our decision**

- 1.75 This question does not require an Ofgem decision but we recognise that, particularly before code manager appointment, there will be benefit in cross-code collaboration and support from Ofgem as we transition to new governance arrangements.



**Q6. Do you have any suggestions about the best way to implement the SDS in the context of budget setting, delivery planning and the introduction of a harmonised prioritisation process?**

- 1.76 Many respondents discussed the importance of cross-code collaboration, suggesting it is integral to the successful delivery of the SDS. Suggested actions and improvements include:
- An increase in scope and membership of the Cross Code Steering Group (CCSG).
  - A body or cross-code group to assist in harmonising priorities across codes.
  - A mechanism to ensure cross-code/system changes are mapped prior to formal changes being drafted and raised.
  - Increased collaboration to work with and around the phased implementation of Code Reform.
- 1.77 Many respondents commented on the role and support required from Ofgem in delivering the SDS, with a few welcoming further stakeholder engagement. Some highlighted the value of early engagement from Ofgem in the code modification process and requested this to occur more frequently.
- 1.78 Some respondents believe that early engagement during the SDS development is key to ensuring industry alignment on upcoming priorities.
- 1.79 Some respondents requested the publication of the SDS to be in good time before budget planning commences, with several suggestions of spring/summer as a beneficial time. A couple of respondents highlighted the value of a logical sequence and cadence of consultations to ensure stakeholders have the resource and capacity to respond.
- 1.80 A few requested further clarification on the role of code managers and ways of working as they are phased in, particularly for policy areas affecting multiple codes that are in different phases of the transition.
- 1.81 A few respondents advised against budget re-openers to support delivery of the SDS, unless in unexpected or urgent circumstances.

## **Decision**

- 1.82 We agree that cross-code collaboration will be integral to the successful delivery of the SDS.
- 1.83 We acknowledge the important role Ofgem has to play in the success of the SDS. We also acknowledge that early engagement during SDS development is valued by stakeholders and we intend for this to continue in future years.
- 1.84 [Recent consultations](#) have provided further clarity on the code manager role. This includes proposals for delivery plans setting out how code managers will deliver the SDS and alignment with budget setting.

## **Rationale for our decision**

- 1.85 We are encouraged by the detailed suggestions in response to this question and seek to continue the collaboration and ambition that has helped to shape the SDS. We look forward to seeing progress on implementation of the SDS and expect the new harmonised prioritisation process will enable this, once in place.
- 1.86 We acknowledge resource concerns, particularly around implementation of the SDS before code managers have been appointed. In light of this, we encourage engagement between code administrators, panels and Ofgem to consider best practice to implement the SDS and how this can evolve as we transition to new governance arrangements. In addition to making use of existing forums (panels, Code Administrator Code of Practice (CACoP), CCSG), we are open to bilaterals and participating in other forums where this may be considered beneficial to SDS implementation.
- 1.87 We agree that cross-code collaboration will be integral to the successful delivery of the SDS. In advance of new governance arrangements being implemented there is opportunity for existing forums, such as CACoP and CCSG, to support cross-code collaboration to implement the SDS. We encourage stakeholders to consider how these forums could be adapted or improved to support SDS implementation and suggestions to increase the scope and membership of the CCSG and adopting an approach to map cross-code/system changes would be helpful steps in doing so. We consider that it is for industry stakeholders to lead changes to these existing forums and will provide assistance if required.
- 1.88 There is opportunity for Ofgem to provide guidance and support in relation to SDS implementation, in addition to existing engagement with code modification

processes (such as attendance at work groups and decision making). In recognition of this, and the new functions Ofgem will be taking on as part of new code governance arrangements, we are developing a new operating model for industry codes. This operating model will consider how our engagement with codes processes are resourced, alongside the delivery of new functions, such as the regulation of code managers. We also encourage further engagement with Ofgem on specific policy areas where further guidance may be required.

- 1.89 We agree that CSDBs have an important role in implementation of the SDS and encourage them to work closely with code administrators and panels to understand system implications of modifications and likely implementation timelines.
- 1.90 We recently consulted on the sequencing of the SDS, delivery plans and their alignment with budget setting<sup>8</sup>. We understand the value and importance of alignment with budget setting and will make a decision on the licence requirements for timing of budgets and delivery plans in due course. During the transition to new governance arrangements there will be a period of new code managers working alongside existing code administrators. Delivery of the SDS during this period is something we are considering alongside wider transition planning. We note that the proposed code manager licence we recently jointly consulted on with DESNZ requires a delivery plan to be in place alongside each budget (which is proposed to be April of each year). We intend to consult on whether to introduce special conditions to the code manager licences to address any transitional issues (such as clarifying any requirements to have in place a delivery plan to cover the period between licence grant and the subsequent April).
- 1.91 We acknowledge that early engagement during the SDS cycle is valued by stakeholders. In future years, we intend to adopt a similar approach to the preliminary SDS with bilateral engagement and workshops planned during SDS development to get stakeholders' input.
- 1.92 As set out above, we do not expect to make change to the SDS mid-year. Among other things, this is to avoid re-opening budgets where possible. In unexpected or urgent circumstances, it may be necessary for us to issue an open letter or similar giving direction to stakeholders in between the publication of SDS.

---

<sup>8</sup> [Energy code reform: Code manager licence conditions and code modification appeals to the CMA](#)

---

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

<b>Q7. Do you have any other feedback?</b>
--

- 1.93 A few respondents discussed ongoing monitoring of SDS implementation, including a recommendation to include a short retrospective section summarising progress since the last SDS.

**Decision**

- 1.94 Following publication of this decision, we are considering how the SDS can be improved for future years. We will consider the inclusion of a retrospective section to reflect progress against previous SDS.

**Rationale for our decision**

- 1.95 We recognise that the inclusion of a retrospective section to reflect progress against previous SDS may be valuable to celebrate successful implementation, track progress and learn from the implementation of previous SDS-related modifications. We will consider the value of this and how it can be practically included in future SDS.

**Next steps**

- 1.96 Following the publication of this decision and the preliminary SDS, we will continue to consider how to support implementation during this interim governance period. Alongside this, development will begin on the first formal SDS, due to be published after our legal obligation to do so under the Act comes into effect (expected in 2026).

## 2. Code governance arrangements

### Section summary

This section sets out a summary of responses and the intended next steps on our proposals related to: i) the harmonisation of code modification prioritisation processes and ii) the co-operation SLC.

### Background

- 2.1 To implement the changes introduced by the Energy Act 2023 (the 'Act'), the existing code governance arrangements will need to change to reflect new roles and responsibilities.
- 2.2 The transitional powers provided by the Act give Ofgem the ability to modify licences and codes. In our consultation we explained how, before appointing code managers, we propose to use these powers (subject to the outcome of the required consultation process) to:
- Introduce consistent code modification prioritisation processes, and
  - Create a licence obligation ("cooperation SLC") to cooperate with the code modification process where it supports SDS alignment, at a code manager's request.

### Prioritisation of code modifications

#### Consultation Questions

Q8. Do you agree with our proposed prioritisation process, including the requirements that:

- (a) a proposer of a modification proposal should be required to include an assessment of their proposal against the prioritisation criteria
- (b) that the code panel should then be responsible for determining the prioritisation category of the modification proposal
- (c) that code panels should reassess the prioritisation category of modification proposals on a quarterly basis
- (d) that all codes contain a requirement for a code modification register, that also includes whether a modification is urgent and the prioritisation category

If not, please specify what changes you suggest and why.

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

Q9. Do you agree with our proposed prioritisation criteria and prioritisation categories? If not, please specify what changes you suggest and why.

Q10. Do you agree with our proposed legal drafting of code modification prioritisation procedure included in Annex A? If not, please specify what changes you suggest and why.

Q11. Do you agree with our proposed definitions to form future guidance on Code Modification Prioritisation included in Annex B? If not, please specify what changes you suggest and why.

Q12. Do you have views on whether this proposed prioritisation process should also apply to all live modifications that exist at the date that the proposed code changes take effect, as well as newly proposed modifications from this date onwards?

### **Consultation position**

2.3 Our consultation set out proposals for all codes<sup>9</sup> to use a prioritisation process that assesses non-urgent modification proposals against a consistent set of prioritisation criteria. We stated that this would promote efficient governance of code arrangements, support industry allocating appropriate time and resource to high and standard priority modifications, and smooth the transition to new code governance arrangements.

2.4 We stated that we would not be changing existing urgency processes. We proposed introducing prioritisation criteria that a proposer would need to assess their modification against. The criteria were: alignment with the SDS, complexity, importance, and time-sensitivity. The code panel would then be responsible for:

- determining the prioritisation category of the modification proposal ('standard' or 'high priority'), by assessing the modification against the prioritisation criteria, giving due regard to the proposer's initial assessment.
- reassessing the prioritisation category of modification proposals on a quarterly basis to ensure that the prioritisation category of each modification remains appropriate.

---

<sup>9</sup> All codes refers to every code text and related document that has been designated as a 'qualifying document' by the Secretary of State as part of the [Designation Notice \(amended and consolidated\) under paragraphs 1\(1\)\(b\) and 1\(5\) of Schedule 12 to the Energy Act 2023 designating certain documents and central systems for the purposes of Schedule 12 to the Energy Act 2023](#)

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

- 2.5 We also proposed that details of this prioritisation determination should be published in relevant reports and on a register on the relevant code’s website, with the register also stating whether the modification is urgent or not.
- 2.6 Finally, we stated that these proposals focus on introducing prioritisation to the codes under existing code governance arrangements. Future consultations will provide further information on how this process may change as code governance reforms are implemented.

## **Summary of consultation responses<sup>10</sup>**

- 2.7 We have carefully considered all responses received to our January consultation and set out a summary of these in this chapter, together with our conclusions and intended next steps.
- 2.8 Where we have referred to what we intend to do within our conclusions and/or rationale for our positions, or used wording of the same meaning, we are referring to our intention to take forward the policy discussed in the conclusions and/or rationale for our positions to future consultation under Schedule 12 to the Act. We have not yet made any final decisions on the implementation of the policy proposals via the illustrative code and licence modification text included with this document and there will be further opportunity for stakeholders to respond to that as part of the future consultation process.

**Q8. Do you agree with our proposed prioritisation process, including the requirements that: (a) a proposer of a modification proposal should be required to include an assessment of their proposal against the prioritisation criteria**

- 2.9 The majority of respondents agreed with the proposal for modification proposers to include an assessment of their modification against the prioritisation criteria. Respondents referred to it aligning with current ways of operating and noted that it would improve panel decision-making.

---

<sup>10</sup> The [response template document](#) published alongside the January 2025 Preliminary SDS Consultation allowed respondents to choose from a list of options to indicate whether they strongly agreed/agreed/disagreed/strongly disagreed/neither agreed nor disagreed/didn’t have a view in relation to a question. Q8 gave respondents the option to choose an option from the list that reflected their response to the whole of question 8, rather than the 4 individual parts of the question. This means that for Q8, a respondent’s choice from the list of options does not reflect the individual parts of the question and our analysis for the 4 individual parts of Q8 has used only the relevant qualitative responses to these questions.

---

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

2.10 A few respondents expressed concerns that the process may be burdensome and create a potential barrier to raising modifications.

## **Conclusion**

2.11 We intend to take forward our proposal to introduce a requirement for a proposer of a modification to assess their proposal against the prioritisation criteria and this will form part of an upcoming consultation pursuant to Schedule 12 of the Act.

## **Rationale for our position**

2.12 We remain of the view that the proposer’s assessment will be an essential part of the prioritisation process. This requirement aligns with existing code processes<sup>11</sup> and, in our view, should provide important information to code panels to help to facilitate more accurate and consistent code panel determinations.

2.13 To support this process, we have published ‘Proposed Authority guidance on code modification prioritisation’<sup>12</sup> in Annex B that further explains the criteria and is intended to help simplify the assessment process. As explained in the Executive Summary of this document, Annex B is provided for illustrative purposes and we have not made a final decision on the content of it. It contains additions to the proposals we put forward in January to help provide transparency on our emerging thinking regarding the detail we consider appropriate to include in the guidance. We intend to consult separately on the full content of Annex B as part of a Schedule 12 consultation in due course.

**Q8. Do you agree with our proposed prioritisation process, including the requirements that: (b) the code panel should then be responsible for determining the prioritisation category of the modification proposal**

2.14 The majority of respondents agreed with this proposed requirement. Respondents commented on the suitability of code panels for this role, given their knowledge, expertise, and ability to be objective and impartial in their determinations.

---

<sup>11</sup> Across the codes, the proposers of modifications have an existing role in providing information on the modification proposal.

<sup>12</sup> We will be seeking views on this ‘Proposed Authority guidance on code modification prioritisation’ document in our upcoming Energy Act 2023 proposed modification notice, given that, while it has been proposed following stakeholder responses to our January 2025 SDS Consultation, stakeholders were not able to respond to it as part of the previous consultation.

---



**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

Additionally, a few respondents referred to the benefits of this proposed process matching existing code governance processes.

- 2.15 A few respondents requested an appeal route for when proposers disagree with panel decisions, additional information becomes available, or market conditions change, although one respondent stated that this should strictly be for exceptional cases.
- 2.16 Responses highlighted the need for clarification about how cross-code modification proposals fit within this process and the role of the Cross Code Steering Group.
- 2.17 Disagreement with this requirement referred to the subjective nature of prioritisation determinations, with guidance being suggested to facilitate assessments being carried out systematically and with transparency.
- 2.18 Some respondents commented on the future roles of code managers (CM) and Stakeholder Advisory Forums (SAF) in prioritisation.

**Conclusion**

- 2.19 We intend to take forward our proposal to introduce a requirement that the code panels should be responsible for determining the prioritisation category of the modification proposal and this will form part of an upcoming consultation pursuant to Schedule 12 of the Act.

**Rationale for our position**

- 2.20 Our view remains that code panels should have responsibility for determining the prioritisation category because it reflects their existing role in doing this, where prioritisation processes currently exist. The majority of respondents supported this view.
- 2.21 We intend for the prioritisation process to align as far as possible across all codes but recognise there may be a need to reflect code specific operational requirements. For example, we do not intend to amend the roles and responsibilities for prioritisation in the SEC and REC, where the SEC change sub-committee and the REC code manager<sup>13</sup> determine prioritisation.

---

<sup>13</sup> Subject to the REC Change Panel's ability to overrule their determination under defined circumstances.

---

- 2.22 We agree with the need to clarify how the prioritisation process would apply to cross-code modification proposals. Our proposed prioritisation process would fit into the current cross-code modification process<sup>14</sup>, as part of the relevant modification procedures that each code would follow. We have attempted to outline this in our 'Proposed Authority guidance on code modification prioritisation' in Annex B. This proposed guidance also aims to address inclusion of cross-code modifications in modification registers and how the bi-annual<sup>15</sup> and ad hoc prioritisation review processes would apply to cross-code modifications. We intend to consult on cross-code ways of working under future code arrangements in upcoming consultations.
- 2.23 Regarding appealing prioritisation determinations, our current view is that it is not necessary to propose a new appeals process, but we may reconsider this as part of future policy analysis and it would be consulted upon accordingly.
- 2.24 We recognise, however, that some codes have existing routes for over-turning prioritisation determinations. The REC includes an appeals process that allows Ofgem to over-turn a code manager's prioritisation determination if it considers it necessary or following a code party's appeal.<sup>16</sup> Additionally, the BSC, CUSC, Grid Code, and STC currently include an oversight role for Ofgem<sup>17</sup>, where it can overrule determinations on prioritisation. Our current view is that these existing processes should remain and so we have included within Annex A (in text highlighted in yellow) where we think that possible changes could be made to integrate the new prioritisation process into existing arrangements. As previously noted in this document, Annex A is for illustrative purposes and we have not made a decision on the final form of the content of the proposed code modifications. Stakeholders will have further opportunity to provide feedback as part of upcoming consultations pursuant to Schedule 12 to the Act.
- 2.25 Regarding concerns that code panels' determinations would be too subjective, we envisage that, if implemented, the 'Proposed Authority guidance on code modification prioritisation' provided in Annex B would support prioritisation determinations being consistent, reasoned decisions.

---

<sup>14</sup> An example of the cross-code modification process can be found in the BSC, Section F, Paragraph 1.6A.

<sup>15</sup> In relation to the prioritisation review process, and unless specified otherwise, bi-annual refers to twice per year.

<sup>16</sup> REC Schedule 5 paragraph 10.3(d).

<sup>17</sup> CUSC paragraph 8.14.3(c), BSC Section F paragraph 1.4.3 (c), Grid Code paragraph GR19.1(e), and STC Section B paragraph 7.2.8.4(b) provide the Authority with the ability to overturn the prioritisation determination of a code panel.

---

**Q8. Do you agree with our proposed prioritisation process, including the requirements that: (c) code panels should reassess the prioritisation category of modification proposals on a quarterly basis**

- 2.26 Question 8(c) received more mixed levels of agreement and disagreement, compared to 8(a) and 8(b). Many stakeholders responded in agreement to this requirement, referencing that it builds upon current best practice. A few respondents stated that a quarterly review frequency would be appropriate in most situations, but that more frequent reviews might be needed in certain situations, with one example of this being due to level of change anticipated for a given code.
- 2.27 However, some respondents argued that a quarterly review process would be too frequent, suggesting that it would be too burdensome or would disrupt the progress of modifications. Alternative suggestions included changing the review frequency to every six or twelve months, and reviewing prioritisation categories on an ad hoc basis, when code panels determine it to be necessary.
- 2.28 Concerns were raised around ensuring that lower priority modifications are sufficiently progressed under this new prioritisation process to avoid becoming stuck at the back of a modification queue.

## **Conclusion**

- 2.29 We intend to take forward our proposal to introduce a regular review process to reassess the prioritisation category of modification proposals. However, we now consider that the requirement would be better suited to being carried out bi-annually as opposed to quarterly. We have decided to incorporate each of these proposals into an upcoming consultation pursuant to Schedule 12 to the Act. We also consider that the accompanying guidance (as per 'Annex B: Proposed Authority guidance on code modification prioritisation') would benefit from including an expectation for code panels to carry out ad hoc reviews of the prioritisation of code modification proposals when industry or regulatory changes warrant such a review. As previously explained in this document, the content of Annex B will be consulted on separately and therefore may continue to evolve until such time as we make a decision on its content.

## **Rationale for our position**

- 2.30 We consider that having a regular review process would help to ensure that the prioritisation category of each modification remains appropriate. We would also expect, given that it would apply to all prioritised modifications, for it to mitigate the risk of modifications becoming 'stuck'.
- 2.31 Our initial proposal was that this review should be carried out quarterly to align with existing practices in the CUSC. However, due to the potential impact on stakeholders of codifying such a requirement, consider that changing the frequency of this requirement from quarterly to bi-annual would be appropriate. However, to ensure that the prioritisation process would be appropriately reviewed and checked, we would like to introduce into the 'Proposed Authority guidance on code modification prioritisation' an expectation for panels to carry out ad hoc reviews of their modification proposals. Subject to panel discretion, we envisage that an ad hoc review would take place after the annual publication of the SDS or other Authority-authored document, or the introduction of significant new government policy, for example.

**Q8. Do you agree with our proposed prioritisation process, including the requirements that: (d) all codes contain a requirement for a code modification register, that also includes whether a modification is urgent and the prioritisation category**

- 2.32 Many respondents agreed with the requirement set out in part (d) of question 8. Reasons for agreement included the existing publication of modification registers across the codes and the transparency they provide.
- 2.33 A couple of respondents provided input on the detail that they believe the modification register should contain. Suggestions for the registers included that they contain justification for the code panels' decisions, meeting minutes, and details on decision and implementation dates.

## **Conclusion**

- 2.34 We intend to take forward our proposal for all codes to contain a requirement to create and maintain a code modification register and for this to form part of further consultation pursuant to Schedule 12 of the Act. The register would include information on whether a modification is urgent, its prioritisation category

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

(if it has been determined not to be an urgent modification), as well as the justification for this prioritisation determination.

### **Rationale for our position**

2.35 We consider that the requirement for registers to include justification of a code panels' prioritisation determination will help ensure openness and transparency.

2.36 We intend to introduce a requirement for code modification registers to include whether a modification has been determined to be urgent or not. We also intend for any changes to prioritisation determination to be reflected in modification registers. Additionally, we intend for modification registers to detail whether the modification is a cross-code modification proposal or not. This is outlined in the 'Proposed Authority guidance on code modification prioritisation' document in Annex B.

<p><b>Q9. Do you agree with our <a href="#">proposed prioritisation criteria and prioritisation categories</a>?</b></p>
---

2.37 Many respondents agreed with our proposed prioritisation criteria of alignment with the SDS, complexity, importance, and time sensitivity, and the prioritisation categories of standard and high. Reasons for agreement included the importance of this process being harmonised and the logical framework that the criteria and categories provide.

2.38 Many respondents commented that further guidance on the prioritisation criteria and/or categories is required. Reasons for this included a lack of clarity about how the criteria of complexity influences prioritisation category determinations, as well as confusion around complexity and importance being considered as part of time-sensitivity. Another reason was that the criteria of alignment with the SDS didn't relate to SDS categorisation of modifications into 'Act now', 'Think and plan', and 'Listen and wait' time horizons.

2.39 A couple of respondents commented that further guidance is needed to support code parties with the timelines and sequencing of modification implementation after a prioritisation determination has been made.

2.40 In addition to this, some respondents commented that the prioritisation criteria and/or categories themselves are unsuitable and/or insufficient. Reasons for this

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

included the criteria's lack of mention of net zero, security of supply, code objectives, or technical/commercial/code-specific aspects. Another reason, related to prioritisation categories, was the suggestion of an additional prioritisation category, such as a low priority category.

- 2.41 One respondent commented that the proposed outcomes of the prioritisation determination make this effectively a binary decision, which doesn't support determination of the relative priority of modification proposals within each category.

## **Conclusion**

- 2.42 We intend to take forward the structure of prioritisation criteria that inform the determination of prioritisation categories. Additionally, we intend to proceed with the prioritisation categories of standard and high, as well as the criteria of alignment with the SDS, complexity, and importance. However, we intend to remove the criterion of time-sensitivity. We have also rewritten proposed definitions of prioritisation criteria and categories in response to consultation feedback. Additionally, we intend to take forward the 'Proposed Authority guidance on code modification prioritisation' document found in Annex B, which has been created with the intention of supporting the introduction of the prioritisation criteria and categories.

## **Rationale for our position**

- 2.43 Although there was overall agreement with prioritisation categories and criteria, we intend to amend the definitions proposed in the January 2025 SDS consultation to reflect consultation feedback. These proposed changes are intended to create clearer links between the criteria and categories, differentiate complexity and importance from one another, and ensure that SDS alignment takes account of the SDS time horizons. After considering consultation feedback, we intend to remove the criterion of time-sensitivity. The definition of time-sensitivity that was proposed in Annex B of the January 2025 SDS consultation<sup>18</sup> refers to how quickly a modification progresses through the code governance process. Given that the definitions of standard and high prioritisation categories

---

<sup>18</sup> Time-sensitivity: modifications that require speedy consideration within the code governance process. Both complexity and importance should be factors considered in evaluating time-sensitivity as well as the timescales for implementation within the respective codes.

---

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

also refer to the speed of development of the modification<sup>19</sup>, we propose that the criterion of time-sensitivity is duplicative and not needed.

- 2.44 We acknowledge the need for further guidance to support code parties in this proposed process and this is reflected in our decision to progress the development of a more detailed guidance document. Our emerging thinking on what content this document may contain is shown within Annex B.<sup>20</sup> This document includes proposed information on interpreting the prioritisation categories and criteria, the prioritisation review process, cross-code modifications, modification registers, and policy implementation. While this proposed guidance would support code panels in making their prioritisation determinations, we do not currently envisage extending it to cover the implementation, sequencing, or timetabling of modifications post-prioritisation determination. We are of the view that code panels have sufficient experience and expertise to carry this out effectively and would like to avoid being overly prescriptive in the guidance itself. However, this position may continue to evolve and the guidance itself will be subject to consultation in due course.
- 2.45 We acknowledge that the existing processes of relative prioritisation in the BSC<sup>21</sup> and REC<sup>22</sup> are not currently reflected in the other codes. We intend, due to the importance of prioritising modifications relative to one another, to take forward our proposal to codify the requirement for modifications to be prioritised in this

---

<sup>19</sup> Standard Priority means that modifications are expected to follow a standard modification timeline. Development may be paused, for example, if the modification is dependent on the outcome of another modification. High Priority means that modifications require faster development and resolution than the standard timeline. High Priority could include a modification that has not been deemed urgent under existing code urgency processes but still needs to be developed and implemented within a specific timeframe.

<sup>20</sup> While we have made the decision to publish guidance, the new guidance itself is labelled as 'proposed', as stakeholders have not yet had the chance to comment on it. We will seek stakeholder feedback on it as part of future processes under Schedule 12 of the Act.

<sup>21</sup> In the BSC section of the legal text that we included in our January 2025 Consultation on the preliminary Strategic Direction Statement and governance arrangements for industry codes, in [Annex A: Proposed legal drafting of code modification prioritisation procedure](#), we had included proposed legal text within paragraph 2.2.3 for the panel to determine, regardless of whether modifications are to be processed through the Definition Procedure, the Assessment Procedure, or straight to the Report Phase, "the Prioritisation Category accorded to the Modification Proposal (as compared with other Pending Modification Proposals)". The phrase 'as compared with other Pending Modification Proposals' was used as it was used in the original phrasing and we didn't want to inadvertently change an existing process.

<sup>22</sup> The REC, in our proposed drafting of the legal text that we included in our January 2025 Consultation on the preliminary Strategic Direction Statement and governance arrangements for industry codes, in paragraph 9.9(a) of [Annex A: Proposed legal drafting of code modification prioritisation procedure](#), refers to a relative assessment of prioritisation category used to determine timelines in the following: "In determining the prioritisation and timetable to be followed in respect of each Issue or Change Proposal, the Code Manager shall: (a) (subject to (b) below) determine a reasonable timetable, having regard to the Prioritisation Criteria, and whether the Issue or Change Proposal has been determined to be an Urgent Issue or Change Proposal, or, where it has determined to not be an Urgent Issue or Change Proposal, the Issue's or Change Proposal's complexity, importance and Prioritisation Category relative to other ongoing Issues or Change Proposals;".

way. We have provided proposed guidance on this in the 'Proposed Authority guidance on code modification prioritisation' in Annex B.

- 2.46 We do not consider it necessary to introduce a 'low' prioritisation category to prevent modifications from being held up and progressed at a slower rate than a standard timeline.
- 2.47 We acknowledge concerns around whether the criteria or categories are suitable due to the omission of issues like net-zero or security of supply. We believe that these areas are covered within the definitions of alignment with the SDS, which contains a strategic assessment of government policies and developments relating to the energy sector, complexity, and importance.

<p><b>Q10. Do you agree with our proposed legal drafting of code modification prioritisation procedure included in <a href="#">Annex A</a>?</b></p>
---

- 2.48 The majority of respondents agreed with our proposed legal drafting that we published in Annex A.
- 2.49 A few respondents provided suggestions for improving the legal drafting, which largely focused on brevity, consistency, and formatting issues.
- 2.50 A couple of respondents pointed out that the prioritisation process doesn't include any type of scoring methodology for code panels to follow when assessing the modification proposals.

## Conclusions

- 2.51 We intend to take forward our 'Proposed legal drafting of the code modification prioritisation procedure', included in Annex A. However, we think that the drafting would benefit from the inclusion of further additions, to reflect consultation feedback, the conclusions set out in this document and some additional policy proposals that reflect our emerging thinking on this area, such as those related to modification amalgamation. We have reflected our current thinking on this in Annex A (with the changes shown colour-coded for ease), but we have not made a final decision on the content of that document. The proposed legal text will be subject to further consultation pursuant to Schedule 12 to the Act.



## **Rationale for our position**

- 2.52 We intend to proceed with taking forward our proposals to further consultation, including the proposed amendments resulting from the consultation feedback, as we believe that it would codify the prioritisation process in a clear and logical way. The proposed legal text in Annex A illustrates indicative thinking on what this text may look like. This view was supported by the consultation feedback, where the majority of respondents agreed with the proposed drafting of legal text.
- 2.53 We have also considered possible updates to the legal text to better reflect our proposal that when allocating a priority level to a modification proposal, the priority given to other in-progress modification proposal is taken into account. In addition, we have made some corrections within Annex A, for example, to reflect the role of SEC change sub-committee in prioritisation<sup>23</sup>. In our view, the legal text is also required to be updated to include the prioritisation proposals within the SQSS, in light of the fact that, since our January consultation, the SQSS has been designated as a qualifying document pursuant to the Act.
- 2.54 We have also proposed additional changes related to improved formatting and clarity of drafting upon our further review of the text, highlighted in yellow in Annex A.
- 2.55 At this stage, we do not intend for our modification proposals to include further specifics on code parties' use of scoring matrices or other quantitative assessment tools in prioritising modifications. This is because we do not wish to be overly prescriptive about how prioritisation determinations are made, and only envisage mandating the use of the prioritisation criteria/categories. However, we do not intend to discourage use of quantitative assessment tools, where they already exist or the code panels see value in introducing them.
- 2.56 If modification proposals become amalgamated<sup>24</sup>, we consider that it may also be appropriate to include a proposed requirement for code panels to assess the various prioritisation categories and assessments of the amalgamated modification proposal to determine a singular prioritisation category for the modification going forward. Our amendments to Annex A reflect this view, albeit

---

<sup>23</sup> Our previous proposed legal text in [Annex A](#) of the 'Consultation on the preliminary Strategic Direction Statement and governance arrangements for industry codes' erroneously said that prioritisation determinations were carried out by the SEC code panel.

<sup>24</sup> This is relevant for the BSC, CUSC, Grid Code, SQSS, and the STC.

---

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

as previously explained, the text is included for illustrative purposes to help provide transparency on our evolving analysis and we intend to consult further on this.

<p><b>Q11. Do you agree with our proposed definitions to form future guidance on Code Modification Prioritisation included in Annex B?</b></p>
--

- 2.57 The majority of respondents agreed with our proposed definitions to form future guidance on Code Modification Prioritisation that we included in Annex B.
- 2.58 Some respondents commented that the definitions had insufficient detail to facilitate their use in the prioritisation process.
- 2.59 A couple of respondents commented on the role of Ofgem within the new prioritisation process, with one proposing an assurance-based role and another suggesting that Ofgem commit to expediting decisions on high priority modifications.

## **Conclusions**

- 2.60 We intend to take forward our proposed definitions to inform future proposals on more detailed guidance on code modification prioritisation. Illustrative proposals of what this detailed guidance may contain are shown in Annex B. These definitions have been provisionally amended to take account of the decisions made in response to Q9.
- 2.61 In addition to this, we intend to progress our decision to formulate more detailed guidance that would aim to support consistent implementation of this process across the codes by providing details on the prioritisation categories and criteria, the prioritisation review process, cross-code modifications, modification registers, and policy implementation. Annex B demonstrates a proposed version of this guidance document, which will be subject to further consultation under Schedule 12 to the Act.

## **Rationale for our position**

- 2.62 We intend for these proposed definitions, and the other new additions to the 'Proposed Authority guidance on code modification prioritisation', to help to facilitate consistent implementation of this prioritisation process across the codes.
- 2.63 We acknowledge concerns about the lack of detail provided in the definitions and we have proposed intended ways to address these in our response to Q9 above.
- 2.64 We acknowledge suggestions about the role of Ofgem in prioritisation, and specifically around Ofgem having an assurance role in the process. Ofgem's role, particularly in relation to appeal processes, is intended to be the subject of future consultations as part of code governance reform, and we do not intend to introduce any additional assurance role for Ofgem under existing governance arrangements. We are also of the proposed view that as high priority modifications would be processed with speedier development and resolution timelines, that all code parties, including Ofgem, where appropriate, would endeavour to progress modifications according to those timelines.

**Q12. Do you have views on whether this proposed prioritisation process should apply to all live modifications that exist at the date that the proposed code changes take effect, as well as newly proposed modifications from this date onwards?**

- 2.65 Many respondents<sup>25</sup> indicated that they believed that this prioritisation process should apply to all live modifications that exist at the date the proposed code changes go live, and newly proposed modifications from that date onwards. Some respondents argued that this should be the case to ensure consistency and equal treatment of modifications. Others supported this approach as it would allow the benefits of the new approach, such as the progression of SDS-related modifications, to be realised more quickly.

---

<sup>25</sup> Question 12 didn't offer respondents a choice of whether they strongly agreed/agreed/disagreed/strongly disagreed/neither agreed nor disagreed/didn't have a view or didn't know/didn't answer. Therefore, we have manually attributed answers based on whether their response was generally supportive of the process applying to live modifications, as well as newly proposed modifications, (including where caveats were required to facilitate this) or to just newly proposed modifications. In other instances responses were unclear, or did not indicate a response.

---

- 2.66 A couple of respondents stated that, while they agreed that all live modifications should be re-assessed against the new criteria, there needed to be a pragmatic approach to avoid undue delay or disruption, others commented that proposers' input should be sought while doing this re-assessment.
- 2.67 Some respondents argued that the new prioritisation process should not apply to live modifications when the new process takes effect and should just apply to newly proposed modifications from that point onwards. Reasons for this included that re-assessing modification proposals under the new prioritisation process would require significant resource from code parties to coordinate and could cause disruption.
- 2.68 When re-assessing live modifications, one stakeholder commented that special attention should be given to modification proposals that contain impact assessments, as these are time and resource-intensive, and require careful planning given that they can expire.
- 2.69 One stakeholder argued that the most effective way of implementing the new prioritisation process depends on the number of live modifications that would need to be re-assessed and might differ from code to code.
- 2.70 One respondent sought clarity on what is meant by a live modification and questioned whether this meant that a modification proposal was awaiting decision, awaiting implementation, or if it had another meaning.

## **Conclusions**

- 2.71 We intend to introduce the new prioritisation process to all live modifications that exist at the date that the proposed code changes take effect, as well as newly proposed modifications from this date onwards. We recognise the potential impact of this proposal on industry and intend to provide proposed guidance to support code panels to undertake a prioritisation determination of a live modification without needing it to be re-submitted, where they deem sufficient information has been provided in the original submission to facilitate a prioritisation determination.
- 2.72 We also intend to introduce a definition of a live modification proposal, for the purposes of applying this prioritisation process retrospectively, as a modification that is not a) in the stage of being recommended to or sitting with the Authority for decision, or b) a self-governance modification awaiting decision on its

approval/rejection, or c) awaiting implementation. We intend that modifications outside of these parameters, that are in progress when the new process comes into effect, would need to be prioritised using this new process.

### **Rationale for our position**

- 2.73 We acknowledge the concerns raised by stakeholders about applying this process to live modifications. However, we propose that having two separate prioritisation processes running concurrently could make it difficult for panels to effectively progress modifications if they have been prioritised in different ways. This could mean important changes to energy codes are not progressed which could impact both industry and consumers. Additionally, we propose that applying the process to live modifications would allow them to be assessed with consistency across codes, and against the SDS earlier, supporting SDS-alignment and cross-code working. This proposal is supported by the many stakeholders who agreed with prioritisation being applied to all live modifications.
- 2.74 The 'Proposed Authority guidance on code modification prioritisation', found in Annex B, is intended to help mitigate the resource burden of this proposal. As set out in the proposed guidance, although all live modifications would need to be re-assessed by the code panels, we do not intend to expect all existing modifications to be re-submitted with a new assessment against the prioritisation criteria by the proposers, providing that code panels consider that sufficient information has been provided to allow them to make a prioritisation determination against the prioritisation criteria. Further information on this proposed process can be found in the proposed guidance in Annex B.
- 2.75 Additionally, to limit disruption for code parties, we propose that the prioritisation process should only be applied retrospectively to any live modification proposal not a) in the stage of being recommended to or sitting with the Authority for decision, b) a self-governance modification awaiting decision on its approval/rejection, or c) awaiting implementation. We propose that there is no benefit to undertaking a prioritisation determination for a modification at the decision or implementation stage. Before this point, we propose that there is a benefit to prioritising the modification and ensuring that it is following the most appropriate timeline. We intend that if a live modification is sent back for further work, that it be re-prioritised under the new prioritisation process to guide its workload and timelines moving forward.

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

2.76 We propose that code panels undertake sufficient engagement with code parties if the progression of their modification proposals might be impacted by the need to re-assess the modification under the new prioritisation process. This would help to manage the impact of this implementation process on stakeholders. We also propose that impact assessment requirements and timelines to be considered under the criterion of complexity.

## **Next Steps**

2.77 Following this publication, we intend to proceed to a statutory consultation under Schedule 12 to the Act. This statutory consultation will be an opportunity to consult on the proposals outlined in this decision document, and any further policy developments.

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

## Role of stakeholders

### Section summary

In this section we set out a summary of responses and our decision on next steps in relation to the policy proposal to modify all gas and electricity licences by inserting a new cooperation standard licence condition (cooperation SLC) utilising our powers under the Act. We also set out five criteria that the code manager would use to ensure that requests for cooperation are reasonable.

### Consultation Questions

Q13. Do you agree with our proposed drafting of a new principles-based standard condition, for cooperation with code modifications related to SDS, for all gas and electricity licences, included in Annex C?

Q14. Do you agree with the proposed criteria the code manager should consider prior to issuing a request for cooperation?

## Background

2.78 In our [August Implementation Decision](#), we confirmed our intention to proceed with our proposal to introduce a new cooperation standard licence condition for all gas and electricity licence types. The primary purpose of the condition is to aid in the development and delivery of code modifications related to the Strategic Direction Statement (SDS), and reflect the key role of stakeholders in strategic change, by providing that licensees are under an obligation to cooperate with the code manager where reasonably requested.

## Consultation position

2.79 In our consultation, we included the proposed legal drafting for a new cooperation SLC that would apply to all gas and electricity licences. We proposed to introduce this condition using our powers under the Act, through a future statutory consultation that will be informed by feedback from the consultation.

2.80 We also proposed to include obligations in the codes requiring a code manager to demonstrate that before issuing a request, they have assessed it against a set of criteria consistent across all codes.

## Summary of consultation responses

<b>Q13. Do you agree with our proposed drafting of a new principles-based standard condition, for cooperation with code modifications related to SDS, for all gas and electricity licences, included in Annex C?</b>
--

- 2.81 Many respondents supported the proposed drafting of the cooperation condition. Reasons included that the drafting would help to ensure that licensees cooperate with code managers in the delivery of strategic change. Respondents also commented that the condition will be a useful way for code managers to flag to licensees where cooperation is mandatory.
- 2.82 Some respondents raised concerns with this proposal. Their reasons included that introduction of the condition is disproportionate and could place an administrative burden on licensees. It was also raised that the condition could undermine the requirement for code managers to engage collaboratively with licensees. Some respondents were concerned about the drafting of the condition and provided suggestions on how it could be improved.
- 2.83 Some respondents highlighted the importance of ensuring the process is efficient. It was suggested that informal engagement should be pursued before a formal request is issued under the cooperation condition. Two stakeholders noted that the condition could be particularly challenging for less well-resourced parties.
- 2.84 A few respondents requested more information on how the condition would work during the transition period. Others sought clarity on how non-licensed code parties would be obligated to comply.

<b>Q14. Do you agree with the proposed criteria the code manager should consider prior to issuing a request for cooperation?</b>
--

- 2.85 The majority of respondents supported the proposed criteria. Comments included that the criteria would provide a helpful steer for when formal cooperation requests should be used. It was also suggested that the criteria would help filter out unnecessary requests.
- 2.86 A couple of respondents raised concerns with this proposal. Reasons for disagreeing included that there would be a lack of visibility over the volume of



**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

requests that are issued by the code manager. One respondent noted that the set of criteria does not include the level of detail required for industry and code parties.

- 2.87 Some respondents suggested that the reasonableness criteria should be updated. Comments included that the code manager should engage informally with licensees before issuing formal requests. A few respondents commented that cross-code awareness of cooperation requests could help avoid duplication. One respondent raised that code managers should include their assessment against the criteria in each request.

**Decision**

- 2.88 We intend to use the feedback received to further develop the legal drafting of the cooperation SLC.
- 2.89 If we decide, following consultation pursuant to Schedule 12 to the Act, to implement the new standard licence condition to each gas and electricity licence, we currently envisage the condition taking effect once a code manager for the affected codes is in place.
- 2.90 We intend to develop code text to clarify how non-licensed code parties will be expected to comply with this requirement.
- 2.91 We have also decided to refine the proposed reasonableness criteria and provide more detail on the implementation of the criteria, taking stakeholder feedback into account.

**Rationale for our decision**

- 2.92 We acknowledge concerns from respondents that the introduction of this condition could be disproportionate. As outlined in our 2024 decision<sup>26</sup>, our view is that engagement from stakeholders will be crucial to ensure the successful implementation of code modifications which support the strategic direction set by the SDS. The policy intention of this condition is that it provides code managers with the power to obtain the information they need to implement strategic change effectively and efficiently, if required.

---

<sup>26</sup> See [August Implementation Decision](#)

---

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

2.93 We also acknowledge comments from respondents who are concerned that the condition could place an administrative burden on licensees. As set out in the consultation, we intend to introduce a set of criteria across codes to help ensure that any request for cooperation issued by a code manager is reasonable. We consider that these criteria, designed to ensure requests are reasonable and well considered, should help to minimise any unnecessary burden on licensees, therefore we believe that the condition is necessary and proportionate to the overarching aims.

**Next steps**

2.94 We intend to consult on the legal drafting of the cooperation SLC as part of a future consultation, expected later this year. We also expect to consult on the refined reasonableness criteria in due course. In an upcoming consultation, we will seek views on the proposed code text setting out how non-licensed code parties will be expected to comply with the cooperation requirement.

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

## **Appendices**

<b>Appendix</b>	<b>Name of appendix</b>	<b>Page no.</b>
1	Consultation questions	52
2	Subsidiary documents	54
3	Glossary	55

## **Appendix 1 – Consultation questions**

### **Section 2**

Q1. Is the structuring of SDS content into three time horizons (Act now, Think & plan, Listen & wait) helpful?

Q2. Do you agree with the way modifications have been categorised into these three time horizons (Act now, Think & plan, Listen & wait)? If not, please specify what changes you suggest and why.

Q3. On the basis that the SDS should contain a strategic assessment of government policies and developments relating to the energy sector, that will or may require the making of code modifications, do you think there is anything missing from the SDS that you would expect to require code modifications in the next 1-5 years? If so, please specify.

Q4. Did you find the SDS easy to understand and do you think that the level of detail included is sufficient to allow you to begin raising and implementing code changes?

Q5. If you are a code administrator or code panel what action do you intend to take, if any, to implement the SDS following publication?

Q6. Do you have any suggestions about the best way to implement the SDS in the context of budget setting, delivery planning and the introduction of a harmonised prioritisation process?

Q7. Do you have any other feedback?

### **Section 3**

#### **Prioritisation of code modifications**

Q8. Do you agree with our proposed prioritisation process, including the requirements that:

(a) a proposer of a modification proposal should be required to include an assessment of their proposal against the prioritisation criteria

(b) that the code panel should then be responsible for determining the prioritisation category of the modification proposal

(c) that code panels should reassess the prioritisation category of modification proposals on a quarterly basis

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

(d) that all codes contain a requirement for a code modification register, that also includes whether a modification is urgent and the prioritisation category

If not, please specify what changes you suggest and why.

Q9. Do you agree with our proposed prioritisation criteria and prioritisation categories? If not, please specify what changes you suggest and why.

Q10. Do you agree with our proposed legal drafting of code modification prioritisation procedure included in Annex A? If not, please specify what changes you suggest and why.

Q11. Do you agree with our proposed definitions to form future guidance on Code Modification Prioritisation included in Annex B? If not, please specify what changes you suggest and why.

Q12. Do you have views on whether this proposed prioritisation process should also apply to all live modifications that exist at the date that the proposed code changes take effect, as well as newly proposed modifications from this date onwards?

**Role of stakeholders**

Q13. Do you agree with our proposed drafting of a new principles-based standard condition, for cooperation with code modifications related to SDS, for all gas and electricity licences, included in Annex C?

Q14. Do you agree with the proposed criteria the code manager should consider prior to issuing a request for cooperation?

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

## **Appendix 2 – Subsidiary documents**

The following subsidiary documents have been published on Ofgem’s website alongside this decision:

- Subsidiary Document 1 - Preliminary Strategic Direction Statement for industry codes
- Subsidiary Document 2 - Preliminary Strategic Direction Statement spreadsheet
- Subsidiary Document 3 – Annex A: Proposed legal drafting of code modification prioritisation procedure
- Subsidiary Document 4 - Annex B: Proposed Authority guidance on code modification prioritisation

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

## Appendix 3 – Glossary

Acronyms	Definition
<b>BSC</b>	Balancing and Settlement Code
<b>CACoP</b>	Code Administration Code of Practice
<b>CCSG</b>	Cross Code Steering Group
<b>CSDBs</b>	Central System Delivery Bodies
<b>CMA</b>	Competition and Markets Authority
<b>CP2030</b>	Clean Power 2030, the government ambition and plan for Great Britain to be supplied with clean power by 2030.
<b>CUSC</b>	Connection and Use of System Code
<b>DCUSA</b>	Distribution Connection and Use of System Agreement
<b>DESNZ</b>	Department for Energy Security and Net Zero
<b>FSO</b>	Future System Operator. Named in the Energy Act 2023 as Independent System Operator and Planner (ISOP). In 2024 it was announced that the FSO would be named National Energy System Operator (NESO)
<b>GEMA</b>	Gas and Electricity Markets Authority
<b>GHG</b>	Greenhouse Gases
<b>IGT UNC</b>	Independent Gas Transporters Uniform Network Code
<b>MHHS</b>	Market-wide Half-hourly Settlement
<b>MPW</b>	Modification Process Workgroup
<b>NESO</b>	National Energy System Operator (the working name was previously Future System Operator (FSO))
<b>REC</b>	Retail Energy Code
<b>REMA</b>	Review of Electricity Markets Arrangements
<b>SAF</b>	Stakeholder Advisory Forum, a proposed body (or bodies) consisting of a range of stakeholders which will provide expert assessment of modifications to the code manager
<b>SCR</b>	Significant Code Review, a way for Ofgem to influence the existing end-to-end code change process to modify industry codes

**Decision** – The preliminary Strategic Direction Statement and governance arrangements for industry codes

---

<b>SDS</b>	Strategic Direction Statement means a statement prepared and published by GEMA that sets out a strategic direction for energy industry codes and contains a strategic assessment of government policies and developments relating to the energy sector, that the GEMA considers will or may require the making of modifications to energy industry codes. In this document, references to 'SDS' shall be taken to mean either or both (as the context requires and having regard to the applicable SDS in force at the relevant point in time), (i) any preliminary Strategic Direction Statement prepared and published prior to a designation by the Secretary of State of a particular industry code pursuant to s.182 of the Energy Act 2023; and (ii) any Strategic Direction Statement prepared and published in accordance with s.190 of the Energy Act 2023, following a designation by the Secretary of State of a particular industry code pursuant to s.182 of the Energy Act 2023.
<b>SPS</b>	Strategy and Policy Statement, a document designated by the Secretary of State under the Energy Act 2013 (after parliamentary approval), which sets out the strategic priorities and policy outcomes for the government's energy policy
<b>SQSS</b>	Security and Quality of Supply Standard
<b>STC</b>	System Operator- Transmission Owner Code
<b>UNC</b>	Uniform Network Code