

Consultation on the preliminary Strategic Direction Statement and code governance arrangements – response template

This document provides a template for responses to our consultation on the preliminary Strategic Direction Statement and code governance arrangements, published on 31 January 2025.

If you are interested in responding to this consultation, please complete this word document and send it to industrycodes@ofgem.gov.uk by the end of the day on Friday 28 March 2025.

Guidance

We typically publish consultation responses when we publish our decision. To ensure that we can correctly attribute your response, please ensure that you enter all relevant details in the “your company’s details” section (template part 1).

If you would like us to treat your response as being confidential, either in full or in part, please indicate this to us below. Further information on how we will treat your response, data and confidentiality can be found at the end of this document.

Please use template part 2 to provide your responses. For all questions, the template below provides space for you to enter free text comments. Some questions also ask whether you agree with our proposals. Please indicate the extent to which you agree or disagree with relevant proposals by deleting all but one of the bullets provided.

There is also a section for “general feedback” (template part 3). Please use this section to provide any views on the overall consultation process.

Template part 1: Your organisation’s details:

Contact name	Gavin Williams
Role title	Code Change Lead
Company name	National Gas Transmission
Telephone number	+44 (0)7935353142
Email address	gavin.williams@nationalgas.com

Date of submission	27.03.2025
Do you want your response treated as confidential? (If yes, please indicate whether you would like the whole of your response to be confidential, or just particular parts).	

Template part 2: consultation responses

Consultation section 2 – Approach to the Strategic Direction Statement

Question 1 – Is the structuring of SDS content into three time horizons (Act now, Think & plan, Listen & wait) helpful?

Strongly agree

Comments:

The structuring of SDS content into three distinct time horizons is helpful and provides early foresight of anticipated future code change which can facilitate appropriate budget and resource planning.

There will be a finite capability to manage modifications at any one time within the Act Now time horizon, and this is currently unknown. Linked to this, the likelihood of new SDS content entering directly into the Act Now category is uncertain and it would be useful to understand the impact that this could have on existing categorised modifications and specifically their timelines.

It would be helpful to understand whether or not the categorisation of SDS content into these distinct time horizons represents the time of expected code modification development (associated with the identified policy areas), or code modification implementation. Should these time horizons represent the implementation timeline for future code modifications, as suggested within the preliminary SDS document, then this may provide a useful end point for the purposes of delivery planning. It is presumed that for each policy area, a key driver underpinning the SDS time horizon determination is the level of development of that government policy. The level of policy development is likely to broadly align with code change certainty within the SDS and those policy areas

that are at a mature stage of development should therefore fall within the Act Now category.

In relation to time horizon titles, Listen & Wait could be considered misleading given advance scoping work is likely required for some significant policy areas, such as Hydrogen Transport Business Model (HTBM). Act Now could be clearer if instead called 'Implement Now' - assuming modification implementation is the intent of the proposed time horizons.

Question 2 – 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.

Disagree

Comments:

To aid the assessment of the SDS content categorisation into the three distinct time horizons, transparency of the proposed process used to determine this grouping would enable proposers to understand the rationale for the development trajectory that their modification subsequently follows.

The idea of the three time horizons is useful, however the labels may not be optimal. We would expect that actions are happening in all categories, only some action will be more focused on strategic thinking/discussions rather than on implementation.

We largely agree with the way modifications have been categorised, however we note that 8.3 'develop new hydrogen transport business models' has been categorised as Listen and Wait, and we believe preparatory work on this topic should commence sooner, given the HTBM timelines and its criticality to helping deliver government clean power and net zero ambitions, and thus Think & Plan would be more appropriate.

Some early projects may become operational or be nearing this stage in advance of the Listen & Wait time horizon and this would necessitate a code framework to be in place. A decision on how commercial codes for hydrogen shall be implemented (i.e. into a new hydrogen code or through modification of the existing UNC) is therefore needed imminently so that development in this area can subsequently begin. If the government decides to introduce a hydrogen framework into UNC through code modifications, this may lead to extensive changes and a suitable lead time would be required. The Hydrogen Delivery Council, for example, is currently developing market framework principles that could support HTBM development and these are due for completion in

2025. These principles could manifest in either the creation of a new hydrogen code or through extensive modification to the existing UNC. It would be helpful for this process if a decision is made in the near future and would ultimately improve the effectiveness of the SDS in achieving its aims.

Question 3 – 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.

Yes

Comments:

The SDS, if updated on an annual basis to reflect the latest development of government energy policy, will provide an informative tool that can support code parties with raising relevant modifications that facilitate the implementation and delivery of government energy policy. Considering the UNC specifically for this response, we agree relevant policy areas have been included within the content of the preliminary SDS. However, we believe there are missing policy areas which have been outlined below and would recommend inclusion of these within the first published SDS; these are biomethane, certification of low carbon gases, and whole-system policy across gas and electricity.

1. **Biomethane:** The government has indicated how biomethane could contribute to low-carbon dispatchable power generation to support the energy transition, and as a mature technology has the potential to facilitate immediate decarbonisation efforts prior to the establishment of a hydrogen market. There is a growing demand for biomethane producers to connect to the gas grid (there are currently around 60 National Transmission System (NTS) enquiries in the pipeline for biomethane connections) and recently novel physical configurations to inject biomethane have been proposed. Consequently, several UNC modifications have been raised to facilitate increased biomethane connections such as 0887 (bi-directional IGT connections to the NTS) and 0894 (LDZ-NTS reverse flow). Biomethane injection can be encouraged by bespoke gas quality entry parameters and thus modifications such as 0900 have also been raised to amend Network Entry Agreements and facilitate biomethane entry to the NTS. Further code change may still be required in the immediate future to facilitate increased

biomethane connections to the gas grid and as such, we believe that this policy area warrants SDS inclusion. It would be advisable to include this within Act Now given 1) the appetite for biomethane producers to connect, 2) the number of in-flight modifications facilitating biomethane injection to the gas grid and 3) the overall pace of development being seen currently.

2. **Certification of low carbon gases:** Certification can enable producers to demonstrate emission credentials which can support market development of these gases by evidencing decarbonisation efforts, and providing a revenue stream encouraging market movement away from initial subsidies. Integrating certificates (associated with a UK Emissions Trading Standard (ETS) carbon price for equivalent emissions intensity) into carbon budgeting will provide a commercial tool that can support CP30 and Net Zero targets. Such certification schemes are likely to involve a range of stakeholders from producers to consumers and intermediary bodies and it is not yet known whether introduction of such schemes would require code change. Nonetheless, development of this low carbon incentivisation policy area should be included within the SDS alongside other decarbonisation initiatives that could have a positive impact on Clean Power 2030 and net zero targets.

Gas quality modifications should be considered generally in relation to increasing the composition of low carbon gas within the gas network.

3. **Whole-system policy on gas and electricity generation:** Whole-system policy on gas and electricity generation interaction should be included within the SDS as this will support preparation for any potential future code changes that may be required to facilitate increasingly peaky electricity supply from gas fired power stations. The UK's energy sector is deeply interlinked and must be considered holistically moving forwards. The NTS plays a crucial role in supplying natural gas to over 30 directly connected gas fired power plants, which provide invaluable dispatchable generation to support the electricity system by balancing the intermittency from renewables. In 2024, there were around 50 days where gas made up more than 40% of GB's electricity mix across the full day, and around 13 days where gas share in the mix was higher than 50%. During this period, without gas generation in the electricity mix, there could have been ~92 days equivalent of unserved energy, leading to potential blackouts. This exacerbated future peaking role of the NTS will ensure energy security at times of low renewable output, most noticeable during "dunkelflaute" periods, which the UK has experienced glimpses of across this past winter. Recent events where a drop in renewables coincided with low imports and high demand, led to NTS

connected gas stations running close to maximum output to balance the electricity system, providing in excess of 70% of electricity supply during these hours – a market feature we expect to continue as renewables share in the mix continues to grow.

Question 4 – 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?

No

Comments:

We do agree the structure and content is easy to understand. In response to the level of detail:

The effectiveness of the SDS in enabling Code Parties to raise and implement Code Modifications relies on the assessment of the government's energy strategy and policy to provide clear code change expectations for code parties. It is therefore useful that each policy area within the preliminary SDS includes a 'code changes' section that attempts to offer an informed view.

In many cases, the 'code changes' section of each policy area lacks the necessary detail to offer meaningful understanding of expected code change. We acknowledge that the level of detail and certainty provided within the SDS is dependent on the progression of government policy development. On this basis, policy areas with a proposed Act Now time horizon determination should be developed to provide clear expectations for code change, yet some appear in their infancy or are awaiting key government decisions (e.g. 5.2 and 7.2).

The level of policy development and time horizon determination (Act Now meaning implementation is expected within the next 1-2 year) thus seem in conflict. Government decisions and/or development of these policy areas will provide the code change certainty that is needed for Act Now policies that can facilitate the raising and implementation of required code modifications.

Whilst code change for some policy areas is clear, for others there remains low certainty. As such, we conclude that there is currently insufficient detail for all policy areas to enable the development and implementation of code modifications. Some strategic areas such as HTBM, are at a crossroads, and the outcome of necessary decisions from the government, will determine the extent of code change that is required. Whilst this particular example is categorised as Listen & Wait (we propose this should be Think &

Plan in our response to Question 2), greater clarity now can help early strategic resource and budget planning for code parties. Such clarity is dependent on government policy on which the SDS assessment is based.

7.1 of the preliminary SDS focuses on gas charging regimes and includes reference to Ofgem's desire to expedite UNC Modification 0903 discussions on the basis of security of supply. Future changes to access and charging arrangements could potentially further benefit energy security. Where it can be provided, additional detail or direction within the SDS on this or other ambitions may help provide the necessary steer to help focus industry discussions to consider and develop potential code modifications.

Question 5 - If you are a code administrator or code panel what action do you intend to take, if any, to implement the SDS following publication?

Comments:

No response.

Question 6 - 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? Please note we will be doing stakeholder engagement in early 2025 to discuss this further.

Don't know/no view

Comments:

It would be useful for further stakeholder engagement to take place to inform a view on implementation of the SDS. On the assumption this question refers to code parties' delivery planning and workload demands associated with the raising of SDS-related modifications, it is therefore possible that implementation of the SDS could lead to resourcing impacts for some industry participants.

As stated in Q1 and Q4 responses above, certainty of required code change is needed to ensure that the SDS can provide meaningful steer for code parties to reliably manage budget and resource planning to raise SDS-related code modifications. Early sight of code change to deliver energy policy will prevent last minute surprises and mitigate the risk of overwhelming industry to both raise modifications and respond to reasonable information requests from the Code Manager.

Implementation of the prioritisation process would help to understand the volume of workload associated with high priority modifications, and then parties can reliably determine budget, resource and delivery planning impacts. This is because the outcome of such determinations may impact speed of development and resourcing, as indicated in 3.23 of the main consultation document.

Question 7 - Do you have any other feedback?

Comments:

No response.

Consultation section 3 – Code governance arrangements

Prioritisation of code modifications

Question 8 – 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.

Agree

Comments:

- (a) We believe it is appropriate that the proposer of a modification would assess their proposal against the prioritisation criteria and provide their view. This aligns with existing UNC process, such as the assessment of a modification proposal against the Authority Direction criteria, by the proposer, to determine whether a modification should be raised as Self Governance or otherwise.

(b) There is existing precedent for Panel determining the governance categorisation of a UNC modification. Currently, when new modification proposals are presented to Panel, Panel can undertake a series of majority votes including a standard vote which determines whether the modification meets the Self-Governance Criteria. It seems appropriate that Panel as an impartial body adopt the responsibility for additionally determining the modification prioritisation status. In future, Code Managers or the Stakeholder Advisory Forum could have this responsibility.

(c) Under existing arrangements for the 'urgency' of UNC modifications, "the status of a modification proposal may change from "urgent" to "non-urgent" and vice versa, if a change in circumstances relating to that proposal warrants it". On this basis, there may be a precedent for changing from High Priority to Standard Priority and vice versa, should the proposed prioritisation harmonisation of modifications be introduced.

We believe that Code Panels should have the ability to amend the prioritisation category of a modification. This ensures that the prioritisation decision is not entirely dependent on the initial determination alone, and allows an opening for both new high-priority and existing standard-priority modifications to be introduced/upgraded respectively to high priority if required.

A change of priority status may have potential impacts on the modification proposer who will have their own budget/resource planning and internal deadlines. Whilst we believe it is appropriate for the prioritisation status to be changed as required, careful consideration should be given to how consequential impacts of doing so on the proposer and their organisation may be mitigated. This may be most efficiently managed by ensuring a modification proposer provides from the offset, an expected implementation date and risk associated with this date not being met. Where a priority category is likely to be changed, Panel could seek an update from the proposer and take this information into account during the quarterly review. An appeal process could provide a mechanism for modification proposers where it is believed their views on the impacts of category reassignment have not been appropriately considered.

A description of the prioritisation change criteria would ensure both transparency and consistency of this process. A transparent and consistent lead time would enable a proposer of an 'impacted' modification to prepare for a potential change in timeline.

(d) For UNC currently, a code modification register containing key modification information is Business As Usual (BAU). The Joint Office in their role as code administrator have a published Modification Register which includes modification number, title, proposing organisation, date raised, status, category, workgroup and key

dates. We, therefore, agree with the proposal for the prioritisation category to be included within the register.

Question 9 – Do you agree with our proposed prioritisation criteria and prioritisation categories? If not, please specify what changes you suggest and why.

Neither agree nor disagree

Comments:

The prioritisation criteria provide a broad range of key factors that can be used in determining the prioritisation category of a modification proposal, though further detail for each would reduce ambiguity and help understand how a modification can be assessed against these criteria. This is especially true for those criteria that have a higher degree of subjectivity such as *'importance'*.

On *'aligns with the SDS' criteria*, it could be useful to indicate if this is in relation to Act Now modifications specifically, or whether a modification proposal that aligns with a Listen & Wait policy can be considered high priority on this basis too. It may not be appropriate for a Listen & Wait SDS-related modification proposal to be determined as high priority on this basis alone, when non-SDS-related modifications may have a more pressing timeline. This could be managed through ensuring SDS alignment is not prioritised over other prioritisation criteria, and we note that equal weighting to all criteria is being proposed in this consultation.

It is not clear if *'complexity'* refers to the prioritisation of a modification proposal that is complex as opposed to non-complex modifications. It could be interpreted that a non-complex modification should be prioritised on the basis it can be developed and implemented sooner.

We note that a modification may be assessed against the prioritisation criteria (specifically *'time-sensitivity'*) and subsequently determined a High Priority modification, on the basis that a modification may require *'speedy consideration'* within the code governance process. Additionally, it is intended that the existing Urgency modification process shall not be amended and thus a proposer may submit a modification as Urgent requiring Panel to follow the existing urgency criteria to determine this. As the criteria for Urgency vs High Priority time-sensitive conflict, further guidance for proposers would help to understand whether a modification that requires quick development should be raised as an Urgent or as a non-urgent High Priority time sensitive modification. Consideration of both complexity and importance in assessing time-sensitivity, as

suggested in 3.22 of the main consultation document and Annex B, may add confusion to the proposed process.

The prioritisation categories appear to largely determine the speed of development of that modification. Applying this logic to the modification process, could it be clarified how this translates into modification development timeframes and whether this conflicts with existing Panel process.

Noting that a High priority modification can mean 'work to begin quickly', it may be beneficial in outlining what this may mean for a Standard priority modification. If a Standard priority modification does not begin promptly, this may suggest they could be paused until such time that there is capacity to begin them, presumably determined by the demand to develop High priority modifications that are in flight.

Question 10 – 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.

Disagree

Comments:

We largely agree with the proposed legal drafting but suggest inclusion of a 12.11.1(c) where the Prioritisation Category of a Modification Proposal is changed following Panel's quarterly review, this change should be reflected within the Modification Register alongside the reasons for the Modification Panel's determination.

In addition, we propose:

- Para. 7.2.2(v): deleting "*where the Modification Proposal has been determined not to be an Urgent Modification Proposal*" as this is dealt with in paragraphs 6.1.5 and 10 (which this paragraph is subject to)
- para 7.2.3(a)(iv): specifying the relevant Prioritisation Categories and additionally has some superfluous text. We suggest "*(iv) has a relevant Prioritisation Category of either standard priority or high priority*".
- para. 7.2.3(b)(iii): defining Third Party Modification Proposal to determine if this is a sub-set of Modification Proposal.

In relation to the Prioritisation Process Definitions, we note that the Prioritisation Category definition does not explain High and Standard priority options.

Question 11 – 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.

Neither agree nor disagree

Comments:

Please see answer to Question 9.

Question 12 – 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?

Comments:

Further industry and stakeholder engagement may be necessary to determine the potential impacts of applying the proposed prioritisation process to all existing live modifications. Due regard for proposer and organisation impact should be considered as well as the administrative task of changing existing FMR reporting dates.

Role of stakeholders

Question 13 – 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?

Agree

Comments:

The proposed drafting of a new principles-based standard condition will request cooperation of licencees with SDS-related code modifications from the Code Manager. Whilst this may result in a broad information gathering role of the Code Manager, the equally broad remit of their proposed role as outlined in the 'Implementation of energy code reform: consultation decision' (Aug 2024 publication) suggests this would be reasonable. However it should be noted that there is an existing governance process for code parties to engage with the modification process through modification workgroups and through requests for information by modification proposers and the Code Administrator, and as such it would be advantageous to understand the rationale for the proposed licence condition. There is a risk that obligation to comply with a broad range

of requests, which may come from more than one Code Manager, will add an unsustainable burden on Code Parties.

Noting within the consultation document that commercially sensitive information can be redacted from the request through discussion between the Code Manager and responding Code Party, should the first bullet point in Annex C also note that a licensee may remove commercially sensitive content from information to be provided to the Code Manager to capture this proposed approach in the licence.

We also consider here third party data that we may hold, and our obligation not to disclose such information. The proposed legal drafting specifies information relating to the licensee specifically and thus such data may not reasonably be requested by the Code Manager as currently drafted.

Question 14 – Do you agree with the proposed criteria the code manager should consider prior to issuing a request for cooperation?

Neither agree nor disagree

Comments:

The proposed criteria provide a reasonable test for which a Code Manager should give consideration before requesting cooperation. Having reviewed these five criteria, we suggest the description of the criteria 'Timing' could additionally include proximity to significant energy sector activities such as price controls (e.g. RIIO submissions), or consultations/ call for evidence requests that may clash and impact a Code Party's ability to cooperate.

Template part 3: General feedback:

We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to the following questions.

Question	Response
Do you have any comments about the overall process of this consultation?	

Do you have any comments about its tone and content?	
Was it easy to read and understand? Or could it have been better written?	
Were its conclusions balanced?	
Did it make reasoned recommendations for improvement?	
Any further comments?	

Your response, data and confidentiality

You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you *do* wish to be kept confidential and those that you *do not* wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.

If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the UK's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 4.

If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We

won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.