

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	Sarah Carter
Role title	Industry Code Governance Manager
Company name	National Energy System Operator
Telephone number	
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Date of submission	28-3-25
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).	 No

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?

[Please delete all but one bullet]

- ~~• Strongly agree~~
- Agree
- ~~• Neither agree nor disagree~~
- ~~• Disagree~~
- ~~• Strongly disagree~~
- ~~• Don't know/no view~~

Comments: NESO believe a holistic approach of structuring by broad themes (the different SDS sections) is helpful. Highlighting within the document which category each strategic item falls under, and the spreadsheet provided (document 2, Preliminary SDS spreadsheet) is also useful for assisting participants to sort activity by activity and Code. We agree that there needs to be a general guidance to focus stakeholders' attention on the necessary activities with time horizons however we do have some concerns with the current approach.

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.

[Please delete all but one bullet]

- ~~• Strongly agree~~
- ~~• Agree~~
- Neither agree nor disagree
- ~~• Disagree~~
- ~~• Strongly disagree~~
- ~~• Don't know/no view~~

Comments: We agree it's often helpful to have high level timeframes, and broadly the way we currently think internally about future Modifications. As highlighted above we do have some concerns over the categories. Our initial concern is the naming of the categories may lead to most attention being focussed on the "ACT NOW" section, and depending on the time constraints experienced at the time, the other categories, "THINK & PLAN" and "LISTEN & WAIT" will potentially always get pushed back until an SDS moves them into the "ACT NOW".

Both "THINK & PLAN" and "LISTEN & WAIT" suggest no action needed immediately, whilst for some activities and participants it could be the case that immediate action is needed over an extended timeframe for significant reforms or with technical implementations. In addition, the time frames overlap significantly which creates a further level of ambiguity when considering how to schedule in activity given suggested categories. The three-time horizons may work if there is clear direction on what should be prioritised.

Consideration should be given to how existing open governance arrangements might interact with the priority-areas set out in the preliminary SDS. For [exampleexample](#), it was unclear how existing routine Modifications, such as clarifying existing requirements, revising Codes, code housekeeping would be managed/resourced alongside the prioritised strategic SDS activity.

An alternative approach rather than scheduling generically based on the categories may be to review modifications as they are raised, assess the impacted areas, and assign each a priority/ weighting in the SDS, organisations could review the impacts relevant to them and then schedule accordingly.

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.

[Please delete all but one bullet]

- ~~Yes~~
- ~~No~~
- Don't know/no view

Comments: Given the significant unknown potential to impact net zero goals positively or negatively, the activities and timings for energy code reform itself should be factored into the SDS more than was captured.

The REC & BSC moving to Code Management will impact many industry parties. This should be in the "Think and Plan" section, as there is still much detail that is unclear and currently not one organisation is set up to be able to take on the role of Code Manager for a consolidated code. Current incumbents need to be impacting their code administration and panel governance to define the interim processes needed, either for applying to be a code manager, or planning for how they will step up in the extended role, or for transitioning responsibilities to a Code Manager.

Within NESO we believe there is also a case for considering the priority of several areas of future Code development in the Technical Codes with strategic impacts in the next 5 years, examples include:

- Large demand connections (e.g. Hydrogen electrolyzers, noting that the European Network Code DCC 2.0 includes requirements for Power to Gas)
- Code simplification (whilst it may be envisaged this would be taken up as part of the ECR process to create a Unified Electrical Technical Code, NESO believe this work is significant enough to justify prioritisation in the SDS on its own merit)
- Potential future developments for CATOs (e.g. if further adaptations are required that were not envisaged in the original concept, such as enabling generator connections)
- The NESO 'Review of GB Wide Ramping Arrangements' work, if endorsed by Ofgem and industry, could lead to Code modifications to support current and long-term security of supply challenges (not certain yet)
- Specific requirements or Code Mods for new nuclear technology, such as Small Modular Reactors (SMR) and fusion
- Restoration (current NESO work on equitable treatment of TOs)
- Potential changes to FRCR governance arrangements could result in SQSS changes (not yet clear)
- Potential Mods required for co-located sites (new generation added to an existing site, different generating technology types)

Our last point for consideration is the "strategic assessment" of industry need should be an independent assessment which includes Ofgem's strategic priorities as an independent regulator. Whilst the SDS should be framed around Government Policy we would hope the SDS was not limited only to the delivery of government policy

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?

[Please delete all but one bullet]

- ☒ Yes
- ☐ No

• ~~Don't know/no view~~

Comments: Whilst the SDS was easy to understand we felt it lacked sufficient detail to answer all our queries around planning, budgeting, and scheduling resource effectively. In terms of the descriptions of the change topics that require Code Modifications, the SDS is a high-level summary, and whilst that may suffice as a strategic overview and work could be done now on for example prioritisation, further detail is required before raising code changes.

There is procedural detail needed to support the SDS, some of these topics will require (and benefit from) significant, detailed work in technical areas (e.g. Grid Forming) prior to raising a formal Modification. The pre-change work when undertaken may conclude that a code change is not the most appropriate way of addressing an issue, this prework may require the category to change and guiding principles need to be agreed.

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: NESO believe the SDS lacks sufficient detail in many areas. Greater consideration is needed for the interim change needs to support the ECR itself and areas such as prioritisation before actioning.

NESO as a Code Administrator has significant expertise in several of the impacted areas and will be collating our thoughts and feeding them into the upcoming consultations on the planned Code Manager activities.

Based on our experience we can foresee an increased need for rigorous change planning especially for the migration and consolidation of codes. In addition, there is a need to potentially develop interim ways of working to interact with Code Managers for BSC in 2026 and supporting the prioritisation of change with code panels.

It would also be beneficial if Code Managers were able to respond with a forward-looking strategy stating how they intend to enact the SDS and interact with Code Administrators and Ofgem. That would ensure clarity from all parties on how the SDS should be interpreted.

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.

[Please delete all but one bullet]

- Yes

- ~~No~~
- ~~Don't know/no view~~

Comments: To ensure effective delivery during the ECR period and beyond, thought needs to be given to prioritisation in terms of introducing a harmonised prioritisation process. The specific criteria may vary by Code as will the impacts, with active codes like the CUSC having many in-flights Modifications whilst those such as SQSS far less.

At NESO we have put thought into the needs of a prioritised change model ahead of any firm proposals.. Implementing an AGILE prioritised approach is achievable, however the critical component is an effective method for defining priority and value, that is agreed across the stakeholder community that can be applied by both Code Managers and Code Administrators, to avoid contention between Code Managers requiring support for consequential change and Code Administrators obligated to support both the Code Manager and the industry under open governance whilst seeking to align work to the SDS.

Consideration of the capability of existing governance procedures in particularly high-priority areas (e.g. those areas in the "Act Now" category) are sufficient to bring about changes in Codes in the timeframes required. Ofgem could consider if this area may need further input (e.g. through use of SCRs).

Question 7 - Do you have any other feedback?

Comments: Yes, a schedule of the planned Ofgem ECR consultations alluded to in question 6 and the intended scope of the discussion, would be useful to facilitate impacted parties preparing their responses.

As highlighted earlier, we feel there is a need for further clarity on how lower-priority business as usual, house-keeping modifications are scheduled in. Further, what is the process for feeding in strategic change that are identified during an SDS year (that are in an area that isn't captured in the SDS)?

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.

[Please delete all but one bullet]

- ~~• Strongly agree~~
- ~~• Agree~~
- Neither agree nor disagree
- ~~• Disagree~~
- ~~• Strongly disagree~~
- ~~• Don't know/no view~~

Comments Q8: If the SDS includes all parties, clearly directs, and specifies the prioritisation of modifications and sets the timescales to do this then, yes. However, it is unclear at this stage if all these criteria will be met in the proposed SDS. Some codes already have a prioritisation process whereby the Panel discuss and decide on priority of the modifications, and this doesn't unfortunately always include some of the smaller industry participants views.

The current proposal is a slight amendment to the current Panel prioritisation approach used by some NESO codes. The Panel have a specific focus and limited oversight. Given the strategic nature of the SDS and the span across several codes, a revised approach should enable Code Administrators and Code Managers to work in an aligned way to limit contention for time and resources during the transitional period and to smooth the migration to code governance.

Note that prioritisation alone won't mean things happen quickly - complex and/or challenging Modifications will still need / benefit from pre-work prior to the formal Modification process beginning.

Comments Q8a: Yes, Strongly Agree - this is required today and should continue, in a simple format, including the alignment to the SDS, although we need to recognise this assessment will be weighted in favour of the proposer's priorities.

Comments Q8b: Agree - We agree prioritisation should be independent as far as possible, free from vested interest and should therefore not fall to code parties who may have a vested interest in progressing mods that either benefit shareholders or their organisations wider priorities.

Under open governance the Panel hold the responsibility for governing the progress of amendments to the code, however during code reform there may be wider considerations including planning and resource considerations that individual panels may not be aware of. NESO suggest the Code Administrator/Manager should also have a role in supporting the Panel in defining the priorities. Ofgem should have the overall responsibility to ensure the overarching alignment with the SDS as they hold the strategic view of change progress and horizon scanning.

Potentially a process might be;

- The relevant Code Administrator /Manager undertakes a holistic review of the change pipeline, progress an initial high-level assessment of the proposal and using an agreed prioritisation approach and criteria, scores the proposal as part of a work queue.
- For Administrators a recommended prioritisation could be assessed by Panel to approve or suggest amends as the panel feels best meets the industry need.
- The Code Administrator/Manager could schedule the work based on the agreed weighted priority into the change process.
- All the assessments would be recorded in a central log along with any identified interdependencies.
- Ofgem would have the ability to review the proposed priorities and adjust if needed to ensure the alignment with the SDS goals.

It is worth noting that the prioritisation discussions at Panel often benefit from having technical expertise to discuss details of the proposals and it can be helpful to have input of Panel members and workgroup members (who are familiar with or sit in Work Groups for the Modifications).

An approach that is aligned to all Code Administrators /Managers and based on a common set of prioritisation criteria could ensure consistency and reduce challenge.

Comments Q8c: Neither agree or disagree - NESO agree that when there is a new Modification raised, it would be the appropriate time to consider its priority in the stack, reviewing any new proposal against a consistent set of criteria, to then assign it a proposed position in the work queue based on the assessment.

Assuming an effective prioritisation criterion is agreed, the assessment could be run on an ongoing basis, as part of an Agile approach. The (Code Manager) Code Panel could approve the prioritisation score of incoming work for the Code Manager / Code Administrator to then place it into the work schedule.

We do question the frequency. Whilst some Codes may only need quarterly priority review, for some codes a quarterly review is unlikely to be suitable. It would feel appropriate to select a frequency that was aligned to the level of change for a given code, recognising this may change over time, especially given the ECR work itself. For active codes such as CUSC, it would seem better to review the assigned priorities as a Panel agenda item -these are routinely monthly meetings.

In the interests of maintaining impartiality, Code Panels should be empowered to challenge prioritisation and propose amendments, rather than make a spontaneous reassessment themselves.

Under Open Governance / a balanced approach, the Proposer should have a form of appeal to Ofgem, as a last resort if a prioritisation assessment, isn't felt to be agreeable. The regular re-assessment will allow actions to be taken (more resource requested, process improvement etc) to ensure all SDS modifications are progressed as quickly as is practical.

Lastly, probably as a one-off activity, the Proposers and Code Administrator/Managers priority assessment should be reviewed when a new SDS is issued as changes may align differently / have a different time sensitivity against a revised SDS.

Comments Q8d: Strongly agree - This central register system is like current practice; it works currently and should continue.

Ideally, Code Administration & Panel /Code Manager prioritisation held on a central register, will support highlighting interdependencies and potential issues that might affect the SDS strategic goals.

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

[Please delete all but one bullet]

- ~~• Strongly agree~~
- ~~• Agree~~
- ~~• Neither agree nor disagree~~
- Disagree
- ~~• Strongly disagree~~
- ~~• Don't know/no view~~
- ~~•~~

Comments: NESO have identified some concerns based on experience gained from administering both commercial and technical codes. It is not clear how the four criteria for assessment are aligned to the 2 prioritisation categories to determine high priority, other than the 'time sensitivity' category.


The balance of categories is not clear.

- "importance" it needs to be recognised that this will be subjective, depending on the Proposer's perspective.
- "Time-sensitivity" important, some Modifications need to be implemented in time for the next winter or charging period, or an IT change date. It is unclear what is the weighting of this element against the others.
- "complexity" we are unclear how this criterion will be applied. For example, whilst its relevant to how long a modification will take to progress through the process - it does not by default make it a higher or lower priority?

In addition, the complexity and impacts are not always known when a modification is first proposed and so this should be re-assessed and updated as needed (complexity may change as the proposal develops following workgroups).

In addition to those proposed, other key considerations could be added.

- 'System security' needs to be pulled out more specifically with clear definitions and weighting so that there is a guide for code governance teams to help with prioritisation.
- 'legality' - if a modification is unlawful the code governance party (be it a Code Manager or Code Administrator/panel) should be empowered to reject the proposal Code Reform impacts themselves perhaps need to be identified and considered in the assessment of timescales when impacting change, i.e.: for consequential modifications.

For a given category 

Standard Priority: If these have been paused for a period, when re-assessed does the delay potentially raise their priority if necessary?

High Priority: Given the focus and effort to support these modifications should the quality criteria applied by the Code Governance teams (critical friend review) be more stringent.: for effective progression, a clearly defined defect with a clear solution is needed, prior to raising the formal Modification proposal.

There is the risk that the proposal does not represent the step change needed to address the consistent approach needed as the migration from open governance progresses.

It might be worth considering whether designating a code change as "low priority" might also be desirable. For Non SDS Changes, if a Modification does not align to the SDS but it deemed necessary for the current landscape it could still be marked as high priority under the time-sensitivity (this goes back to how does BAU change get weighted against the Strategic activity). The potential risk for contention between the changes progressing

under code management and elements required for SDS delivery progressing under code administration is unlikely to be mitigated by the limited approach proposed.

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.

[Please delete all but one bullet]

- ~~• Strongly agree~~
- Agree
- ~~• Neither agree nor disagree~~
- ~~• Disagree~~
- ~~• Strongly disagree~~
- ~~• Don't know/no view~~

Comments: The legal drafting looks sensible, although it might be desirable to further clarify the relationship between the urgency criteria and any additional prioritisation procedure i.e. there might be a situation where a code mod satisfies both the urgency criteria but also could satisfy the SDS prioritisation criteria, in which case the governance route for treatment of such mods should be clear.

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.

[Please delete all but one bullet]

- ~~• Strongly agree~~
- Agree
- ~~• Neither agree nor disagree~~
- ~~• Disagree~~
- ~~• Strongly disagree~~
- ~~• Don't know/no view~~

Comments: The broad categories are sensible, and the assessment criteria represent a minimal change. NESO believe, based on experience, that there should be some weighting to ensure that activities that are SDS aligned are weighted fairly against BAU tasks, and across code governance teams, be they code managers, or a governance panel supported by a code Administrator. Standard or High as a qualitative measure doesn't provide a Code Administrator/Manager with a means to support scheduling if there are more priorities than capacity to progress them within a category.

For a consistent approach across industry to facilitate effective prioritisation, we could approach prioritisation from an AGILE perspective and assign each proposal a scored weighting using an agreed quantitative model.

A scoring system based on SDS principles that span across multiple codes to ensure that suitable priority is given to a change, that key activities are progressing in alignment.

Within the Standard or High Priority, the relevant governance team could schedule the work based on the weighted score. Ofgem could oversee the process in an assurance role.

NESO believe there is also a need for more detail in the prioritisation criteria to facilitate an effective prioritisation process, one potential source of consistent criteria would be the OFGEM "Consumer Interest Framework (CIF)".

Using the CIF and its sub-objectives as a basis for impacting the modifications to derive the value of the proposal to replace importance. If assigned values the matrix provides a balanced priority, with complexity and time sensitivity as constraints to be considered when scheduling the work.

When drafting the codes any principles and guidance that form the basis of prioritisation included in the legal text needs to be explicit as failing to follow the guidance could constitute a licence breach.

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: NESO believe there should be one prioritisation stack of all Modifications, although you would not want to add a delay to the Modification process. A pragmatic approach should be taken for inflight work as a one-off activity. If in-flight Modifications are not included in the new prioritisation process, it will potentially result in separate lists of work (two separate priority stacks of non-prioritised and prioritised work).

Each change could be assessed against its place in the process, it would seem sensible to progress without assessment where a Modification has been with industry for Consultation for instance, whilst work that is just starting and is expected to require a number of workgroup/meetings should be reviewed.

Some migration principles are needed, such that if a change is deemed 'High priority' at cut over, will it jump 'Standard priority' modifications in the revised queue, and be assessed for a place in the "High Priority" queue?

Will new 'High priority' changes be assigned a place behind existing 'urgent mods' which are nearing completion?

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?

[Please delete all but one bullet]

- ~~• Strongly agree~~
- Agree
- ~~• Neither agree nor disagree~~
- ~~• Disagree~~
- ~~• Strongly disagree~~
- ~~• Don't know/no view~~

Comments: Whilst we agree in principle there are potential risks with the approach, which need considering.

- It could be an issue for smaller players who may not have the resource to participate when required to by the Code Manager, albeit they are obliged to do so and may incur significant costs to meet the obligation. (For example, will they be reasonably reimbursed for compliance with a code managers request where it can be demonstrated costs are incurred?).

- There should be clear justifications provided to avoid extension of the obligation on the provider such as non-critical items being included as SDS related change.

- Given the intent for all codes to move at pace, is it Ofgem's intent that Code Panels supported by Code Administrators can request support applying the same principles?

If only Code Managers have this ability, codes operating under open governance could be obliged to support Code Managers (for perhaps for several years in the case of Technical codes) without having the benefit of reciprocal arrangements, potentially undermining efforts towards the SDS goals and impeding some codes ability to operate efficiently.

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

[Please delete all but one bullet]

- ~~• Strongly agree~~
- Agree
- ~~• Neither agree nor disagree~~
- ~~• Disagree~~
- ~~• Strongly disagree~~
- ~~• Don't know/no view~~

Comments: The requestor should demonstrate that they have assessed the request against a set of agreed criteria before issuing a request.

The statement "require a code manager to demonstrate that before issuing a request they have assessed it against a set of criteria consistent across all codes" would align with comments in 9 & 11. That consistent set of criteria needs defining/ agreeing in more detail.

It would also be useful for all codes to register requests for cooperation so that potential issues or constraints can be identified and mitigation agreed.

Cross code awareness of these requests will create visibility for code governance teams to understand the effort requested of stakeholders that sit across multiple codes.

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?	We felt providing a draft SDS has been beneficial in terms of gaining early sight of the current thinking.
Do you have any comments about its tone and content?	We felt the tone and content were fair.
Was it easy to read and understand? Or could it have been better written?	We felt the documents and format were accessible.
Were its conclusions balanced?	The approach focussed on the Code Management element and perhaps overlooked some migration risks needing mitigation.
Did it make reasoned recommendations for improvement?	We felt the general approach was positive although further thought is required in our view if the SDS goals are to be achieved in parallel with code migration.
Any further comments?	The document did raise a number of questions that require more detail to answer. Our assumption is the planned consultations will provide the opportunity to fill the detail.

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.