

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	Richard Pomroy
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Date of submission	28th March 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).	 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?

- Agree

Comments: 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, there are some government policies and developments that relate to the energy sector that will not appear in the SDS. The draft SDS is written as a distillation of the Governments Strategic Policy Statement through Ofgem's multiyear strategy and lists some objectives from Ofgem's multiyear strategy that are considered not to have code impacts. Whilst the process of deciding what should be in the SDS is of interest, the SDS itself should only contain items that require or may require code changes. We suggest that the document could be split in two, the first describing the process of deciding the content of the SDS and then a shorter SDS itself. As an analogy consider a consultation that results in a direction to change the licence; the reasons for coming to the decision is of interest but the direction itself only lists the relevant changes to the licence.

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: We comment specifically on 7.1 and 7.2.

7.1 Recover the cost of the existing gas network is marked as “Act now”; however, we do not agree. Given the description, the heading would be better as “Prepare for possible recovery of the the cost of the existing gas network over a shorter time period”. The process for setting and recovering network charges is already in the UNC and implementation of accelerated depreciation will change the size of the charge but will not of itself need code changes. We accept that UNC 0903 affects the recovery of NTS costs but do not see this as result of a theme in the SDS but, this is more about rebalancing the balance between exit and entry which can be justified as reflecting changes in the gas transportation business which is a relevant charging objective in the UNC rather than driven by the SDS. We think that Ofgem’s allocation of “Act now” should be “Think and plan” based on the substantive issue in the description.

7.2 Prepare for repurposing and decommissioning of the gas grid is marked as “Act now”. Although we agree that for one of the items listed the action is indeed “Act Now” the others are at most “Think and plan”.

Gas Transporters. Should repurposing and decommissioning be required there is substantial work to be done, but a lot of this is outside of the UNC and IGT UNC at least to start with.

Disconnections. This thinking has started; however, much of this work is outside the UNC and IGT UNC. Whether it requires code changes depends on the approach adopted by Ofgem following the ongoing review.

Hydrogen blending. We agree that this should be “Act now” and indeed work is underway.

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: Increasing the amount of biomethane able to enter the gas networks should also be a focus, this should be added as 7.3. We note that “Green Gas: How can we integrate low carbon gases such as biomethane and Bio-SNG in a cost-effective way, enabling networks to efficiently manage their injection while ensuring system stability and reliability?” has been included in Ofgem’s recently announced Round 5 Strategic Innovation Fund challenges.

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?

- Yes

Comments: It was easy to read but please see our comments on its structure in response to question 1. The level of detail is not going to be sufficient detail to allow code changes to be raised but they do flag areas that Ofgem consider need attention if parties are not already aware of them.

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: Not applicable.

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.

- Yes

Comments: The obligation to introduce prioritisation and implementing the SDS will be with Code Managers. Until a Code Manager is appointed for the combined gas code any work will be done on a non-obligated basis by the current Code Administrators under current funding arrangements for the UNC. It is important that any increase in the cost base of the current Code Administrators is reflected in the GD3 and GT3 price control settlement when Ofgem publishes its draft determinations in June 2025.

Question 7 - Do you have any other feedback?

Comments: No.

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.

- Strongly agree

Comments: We strongly agree with point (a), the proposer should provide a well written and justified modification together with an assessment of their proposal against the prioritisation criteria once this is implemented for each code. We agree with points (b) and (c). Regarding (d) we note that although the UNC does not contain a requirement for a modification register, that one is published.

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

- Disagree

Comments: Annex B defines SDS as a preliminary SDS published prior to a designation of an industry code under s.182 of the Energy Act 2023 as well as and SDS prepared in accordance with s.192 of the Energy Act 2023 following designation of an industry code under s.182. We disagree with this redefinition as it seems to effectively impose the obligation to prioritise on the existing Code Administrators without considering how this additional activity is funded. While the cost may be small the principle is important. We refer you to our response to question 6. The Annex B definition is not the same as the definition used for the proposed cooperation licence condition in Annex C. This means that the licence obligation to cooperate would be narrower in scope than the proposed code obligation. This would produce a logical inconsistency between the UNC as a licensee

could be in breach of the UNC but not in breach of licence. We urge Ofgem to reconsider the definition of SDS in Annex B and use the same definition as in Annex C.

Prioritisation criteria

We agree with the importance and time sensitivity being relevant criteria. Our view is that complexity will determine how long the modification will take to progress and should not be a prioritisation criteria - some issues are complex but also important. If there are alternative solutions, then a complex solution may be deemed to not to be deliverable within the required timescale which may make a simpler but less complete solution preferable. A prioritisation process decides which modification should get preferential treatment in terms of time allocated to it. Complexity is a consideration as to whether a modification is deliverable which is an important but different issue.

Notwithstanding the point of the definition of SDS in Annex B above, alignment with SDS prepared in accordance with s.192 of the Energy Act 2023, following a designation of that code under s.182 of that Act is clearly a sensible prioritisation criteria.

Prioritisation categories

We agree that having two categories of standard priority and high priority is sufficient, noting that the urgent process will still exist.

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: These comments relate to the drafting for the UNC. The change should only be implemented following designation of the UNC by the Secretary of State under s.182 of the Energy Act 2023. Alternatively, the new text could contain text that makes it clear that the provisions only come into force following designation of the UNC by the Secretary of State under s.182 of the Energy Act 2023. This would enable all the changes to codes to be made at the same time but would delay the obligation coming into effect until designation had taken place.

Should the Code Administrator decide to introduce the prioritisation on a voluntary basis before designation it would be able to do so but the change to the modification rules should not require this. The alternative drafting option above may better facilitate this voluntary approach.

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.

- Agree

Comments: The definitions of prioritisation categories are sufficient. We would expect that Ofgem would commit to expediting decisions on any high priority modifications that were Authority Direction.

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: It would be easier to apply to new modifications. There would be little point in applying them to modifications that were at consultation for example.

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: We are pleased that the definition of SDS for this new condition requires the designation of the code by Secretary of State under s.182 of the Energy Act 2023 before the requirement to cooperate comes into effect.

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

- Agree

Comments: We agree that the code manager should consider the following prior to issuing a request for cooperation:

- Nature of cooperation
- Timing
- Impact on code parties:
- Volume:
- Other impacts

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?	There is a notable inconsistency in the definitions of Strategic Development Statement between Annex B and Annex C which we would expect to have been identified by a consistency review before publication.
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.