

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	Rebecca Bennett
Role title	Regulatory Manager
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Date of submission	28 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:

The aim of the SDS is to help coordinate and prioritise strategic change across the codes to support the transformation of our energy system as we transition to net zero. It's helpful to use time horizon categories to position issues and changes along a trajectory to help prioritise them. While we agree with and support the intention and overall structure of the time horizons, we have identified some inconsistencies that could lead to misinterpretation.

We highlight:

- Policies have been placed in the "Act Now" category where we don't yet know the scope of the code modifications required, or the industry is still establishing whether code changes are needed at all to implement the policy changes. Anything that requires pre-Mod or further policy work, from the definition on page 13 of the SDS, is likely to sit in the "Think & Plan" bucket.
- Policies and themes included are far broader than the scope of industry codes. This is a result of the SDS being based on Ofgem's Multiyear Strategy. We understand from our conversations with your team that the SDS is intended to have wide scope. For a reader focused on the SDS as an indicator of code change priorities, it generates the impression that policy areas have been included as a cover-all from parts of Ofgem that aren't involved in codes and would be unlikely ever to present a need for code change. We suggest the SDS could be structured to provide a more

targeted view of issues that are relevant to code change. It's possible to consider Ofgem's forward looking publications as having overlapping buckets or forming a Venn diagram: only certain topics or objectives in the Forward Work Programme and Multiyear Strategy will also feature in the code-targeted section of the SDS. Including everything in the SDS as presented opens opportunity and risk for misinterpretation of true priorities and even spurious usage of SDS contents in justifying prioritisation assessments (the prioritisation guidance as drafted is also broad, stating merely the ability *to demonstrate a link to government policies and developments relating to the energy sector as set out in the SDS*, and not e.g. a link to an item defined and assessed in the SDS as relevant to code change).

- For some policies there is a lack of justification in the text for the assigned category.
- Differing approaches to the categorisation regarding the stage of the policy in terms of identifying the code modifications.

We have provided specific examples of where we have comments regarding the categorisation for policy areas in question 2.

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.

- Agree

Comments:

We agree with the categorisation of modifications into the three time horizons, but we have provided some comments below for the policy areas in which we have concerns with the current categorisation:

- Objective 1.2: Work with others to tackle the affordability crisis. Ofgem is exploring how costs for the debt relief fund could be allocated on electricity and gas bills under a network charges funding route. You have only listed the REC as a relevant code for this objective. However, this should include changes to UNC (gas debt), DCUSA and CUSC rather than the REC if the decision is made to proceed with the network charging approach.
- Objective 3: Enable competition and investability through financial resilience. We agree with this objective being placed within "Think & Plan", however there are no firm proposals or understanding of how change will be implemented through codes. Financial resilience as a policy area has been addressed through licence so far. Changes under this policy area, as we currently understand it to be defined, are likely to require licence changes. This links back to our earlier point in Question 1 regarding the inclusion of policy areas within the SDS that may not require code

modifications. Code obligations around e.g. credit cover and ability of a business to meet code requirements are entirely different to the financial resilience requirements place on supply licence holders.

- Objective 5.2: Establish and implement mechanisms to realise the Centralised Strategic Network Plan (CSNP). This objective has been categorised as “Act Now”, but the publication of the plan is not required until 31 December 27. It is too early to determine the exact change required and as an industry we won’t be able to identify scope until the CSNP methodology has been submitted by the end of September 25. At this stage any changes within this category are speculative and we would expect this to be within the “Think & Plan” category.
- Objective 6.1: Continue to drive accelerated onshore network investment. We would have expected the inclusion of the Onshore electricity transmission early competition project which is awaiting Ofgem’s decision. We also note the statement that Ofgem is *also exploring whether the NESO has sufficient ability to compel TOs and DNOs to provide it with information that would aid it in meeting its objectives. In the context of strategic planning this may include information about system design, ratings of equipment and expected future expenditure.* We have raised the issue of inadequate and inaccurate provision of expected expenditure to NESO for calculation of network charges with Ofgem on several occasions. This is a current and existing issue. Wide differentials between draft and final charges, for example, have major cost impacts for all network users and by extension to UK business and economic growth. This element should be positioned in the “Act Now” category.
- Objective 7.2: Prepare for repurposing and decommissioning of the gas grid. This objective has been categorised as “Act Now” but much of this is dependent on government policy decisions on the future of gas. The SDS states that Ofgem is developing policy direction and envisions three broad workstreams. This language appears not to fit with acting now. The UNC Modification referenced is a review group, with the goal of reviewing issues and potentially producing proposals for change. While we agree that the decommissioning and repurposing of the gas grid is a priority there are currently no clear code modifications which could be implemented within 2 years.
- Objective 9.1: Use our regulatory tools to ensure high quality service and supply. We disagree with the decision that this has not been categorised within the preliminary SDS. Ofgem’s end-to-end review referenced at the end of objective 9.2 sits better under this objective. Connections customers need a rapid improvement in the level of service that network companies provide. Should the end-to-end

review identify a need for code changes then they should be placed in the “Act Now” category.

- Objective 9.2: Enable faster electricity network connections. This has been placed in the “Act Now” category because the TMO4+ code changes are pending Ofgem decision and CMP446 and CMP448 are in progress. Once Ofgem has decided on CMP448 in Q3 2025 then the only currently known work area that may need to be in the “Act Now” category is the outcome of Ofgem’s end-end to review, which is more aligned with objective 9.1 as mentioned above.
- Objective 14.2: Enable innovation across the sector. This objective has a broad scope which has been categorised as “Act Now”. We agree with this for the Data Best Practice (DBP) and Consumer Consent elements. However, as confirmed in your document, the Data Sharing Infrastructure (DSI) is not expected to require significant code changes during its minimum viable product stage (the next 2+ years), at least until consumer data is introduced to the DSI scope. We therefore think the DSI element should currently be categorised in “Think & Plan”. This also aligns with the “Think & Plan” timing you have assigned to “Enduring Governance of the SSES” under Objective 13.1, which seems appropriate, as the first consumer level use cases for the DSI are expected to be SSES linked.

Objective 14.3: Establish a framework for responsible use of artificial intelligence in the energy sector. We agree that for licensed parties there is not currently any policy associated with this objective that needs to be implemented through codes. However, as suggested in our responses to the recent OFGEM consultation on AI Guidance, and the recent DESNZ call for evidence on a potential Energy Smart Data Scheme, it might be appropriate to require (unlicensed) third parties to commit to following the AI Guidance principles when handling energy data. This is especially the case when data has been provided through the DCC Other User access route, given the sensitivity of that data. This obligation could be introduced through a SEC code change. We therefore think this should be categorised as “Think & Plan”.

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:

We would have expected the inclusion of levelisation between prepayment meters and direct debit standing charges. REC modification R0147 was implemented in March 24 but Ofgem committed to reviewing the impact and operation of levelisation phase 1 in the first year of implementation, which could lead to further modifications required under the REC. Ofgem also committed to consult on a further phase of levelisation which would require a unit rate reconciliation. While this work is now paused, if resumed, we understand it would need to be developed under the appropriate code.

See also our response to question 2 above.

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:

We agree that the SDS is easy to understand, but as we have mentioned in question 1 further clarity or justification is required for some of the policy areas to understand the current categorisation. It would be useful to understand the methodology Ofgem has used to categorise the policy areas where the scope of code modifications has not yet been clearly defined. We suggest it may be helpful to separate the Multiyear Strategy elements from the code-targeted SDS and produce a specific, targeted SDS document or section which is focused on the scope relevant to codes. Including the widest scope of policy objectives in the SDS could have unintended consequences for implementation.

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: N/A

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:

It would be logical for Ofgem to produce the SDS prior to code bodies' planning and budget setting processes, to ensure that the code bodies can set out how they will facilitate delivery of the SDS through industry codes. The difficulty that we foresee is that annual processes will result in a constant cycle of engagement and consultation as we move from SDS to plans to budgets, with the latter processes applying to multiple code bodies. This

may be excessively burdensome for industry parties to engage with and for the code bodies themselves to manage.

Question 7 - Do you have any other feedback?

Comments:

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:

We agree with the overall proposed prioritisation process and that an assessment is to be carried out by the proposer against the set criteria. However, standardised weighting is needed against the assessment of each criterion to mitigate differences in interpretation of the proposed criteria. We suggest clear weighting or additional guidance on the assessment against each criterion to ensure all participants and code panels are assessing the modifications in the same way. Transparency of decisions and consistency across different Panels and Modifications is needed.

There is also a risk created here for modifications that are categorised as a standard priority to be constantly delayed due to the de-prioritisation. The message needs to be clear to code managers that high priority modifications, while requiring more resource and speedier development, should not allow standard modifications to constantly be delayed. Lessons could be learnt from the introduction of the REC, where the initial prioritisation process resulted in a large number of Modifications being categorised as lower priority. A

continued lack of progress on many of these changes led to a review of the process and improvements being implemented.

We agree that proposers should provide an assessment of their own modification. Guidance is needed to ensure that there is consistency of approach as far as possible. Proposers will be keen to support their modifications and there is a potential role for code administrators in “critically friending” the proposer on content at this point to ensure that panels are able to make objective assessments.

We suggest that proposers should have the opportunity to request reassessment of priority. In particular a reassessment could be needed if further information has become available, or market circumstances have changed.

Reassessment on a quarterly basis is unclear: is that in relation to the modification’s age or simply a mass reassessment of all modifications simultaneously each quarter? For some codes this would be a much bigger task for panel than others, and consideration is needed of how to manage it effectively and efficiently.

We support the proposed requirement for a code modification register to be published for every code, including urgency and prioritisation status. We suggest that wider standardisation on content and format will be helpful. Efforts on this can be combined with cross-code work on digitalisation of code materials to develop standardised outputs (e.g. that can be accessed via API). This will improve access to information for all industry parties. We also suggest you explicitly include a requirement for registers to be kept current and published regularly.

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

- Agree

Comments:

In addition to our comments from question 8 regarding our view on the proposed criteria and categories, we feel consideration should be given for urgent emerging priorities that have not been included within the SDS. As we understand the process, changes in policy direction within year will not be adopted into the SDS. In some cases, it could be possible to fit emerging issues under existing objectives e.g. EPG would have been positioned under *1.2 Work with others to tackle the affordability crisis* when it emerged mid-year as a policy need. However, without explicit mention of the policy, panels and eventual code managers may have difficulty in following requirements for prioritisation as written in the guidance. A process that could be used to feed these emerging issues into the SDS or explicitly

associate them with specific objectives outside the SDS document itself, is worth consideration to ensure that they can be appropriately prioritised where required.

Complexity is already used as a criterion in some codes. Complex modifications can be very important and needed in a timely manner. Complexity as described shouldn't be used to de-prioritise modifications; industry has demonstrated that when an issue is important solutions can be found. Sufficient development activity and analysis could be further considerations under Complexity.

We also note that under Importance there is no mention of benefit, only value. Value implies monetary impact, when benefit can also incorporate wider societal positive impacts or incorporate more difficult to monetise aspects.

We support maintaining Urgency assessment as a separate process. We agree with high and standard priority categories, so long as standard classification doesn't lead to modifications being neglected altogether. This may be a more likely outcome from including a low prioritisation category in addition, which we wouldn't support.

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.

- Agree

Comments:

We agree with the proposed legal drafting and have no additional comments.

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:

As highlighted in our response to question 1, the prioritisation guidance as drafted for *Aligns with the SDS* is broad, stating merely the ability to *demonstrate a link to government policies and developments relating to the energy sector as set out in the SDS*, and not e.g. a link to an item defined and assessed in the SDS as relevant to code change. This could lead to difficulty for panels in prioritisation assessments.

We also suggest additional criteria under Complexity (development activity and analysis requirements) and Importance (benefit in addition to value, and potentially incorporation of consumer detriment in addition to risk).

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:

To ensure consistency, our view is that the prioritisation process should be applied to all live modifications that exist. However, this should not lead to any further delay of current modifications which are categorised as a standard priority, but only to ensure additional focus on high priority modifications which link to the SDS. Code administrators/managers and panels should work with the proposers of all live modifications to gain their input to assess the prioritisation category.

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 broadly agree with the proposed drafting of a new principles-based standard condition for cooperation with code modifications related to the SDS. We have some comments regarding the proposed drafting.

'Disclosing to the code manager, if they reasonably expect that proposed code modifications related to the strategic direction statement, may have a significant implication on their processes or systems'. What is Ofgem's interpretation of significant implications and how will this be assessed? We would welcome further guidance on what can be interpreted as a significant implication.

We note you considered placing restrictions on code managers to prevent them from requesting cooperation that could reveal commercially sensitive information. But instead, you propose that code parties could work with the code manager to provide information but remove commercially sensitive information. While we understand your position here and it makes sense for the code parties and code manager to work together, ultimately it should be the code party's decision as to what is commercially sensitive. We suggest an addition to the wording: *"Instead, we propose that code parties could work with the code manager to provide information but remove commercially sensitive content, with the code party being the ultimate decision-maker on what information is commercially sensitive in terms of disclosure"*.

In addition to commercial sensitivity, restrictions on personal data and privacy must also be considered. Requests relating to customer data for example would require due risk assessment and management.

The proposed draft wording uses 'reasonable' and 'reasonably' a lot and while the proposed criteria enables the assessment of reasonableness, we would want assurances about how the data are to be securely managed and used, and a right to appeal the reasonableness of the request from the code manager. We note the requirement that the request can only relate to modifications related to the SDS. We expect a right to challenge on grounds that the modification isn't related to the SDS.

There are no obligations on the code manager to confirm how our information is being processed and utilised. You have suggested this could be achieved through, for example, reports submitted to the Authority on whether or not a modification should be implemented including detail on how code parties have cooperated with the code manager. This would be retrospective only and we assume would show e.g. how the data we provided were incorporated in the code manager's analysis to support recommendations. We suggest additional clarity is needed on what the code manager intends to do with our disclosed data ahead of, or when making, the request.

In our experience requests for information often don't result in provision of the correct data for the required purpose. This can result in requests that are too wide, too detailed and too burdensome being issued with the requester hoping that the relevant data will be included in there somewhere. We must understand the aims and intentions of the analysis in order to support the code manager in making the right request to us.

In terms of the reports, we assume that they would contain a methodological description of how the data were used to draw conclusions, rather than publish the data points themselves. Are the reports to be publicly shared? We would want the opportunity to review and specify any redactions prior to publication of any data we have provided.

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

- Agree

Comments:

In addition to the five criteria listed, we suggest that the code manager must consider:

- Proportionality: consideration of whether the request is proportionate to the code manager's need and intended usage of the data.

- Privacy: consideration of whether personal data is being requested, appropriate risk assessment and management.
- Feasibility: consideration of whether the information is accessible or available to the licensed party to share (e.g. does it sit with a third party or simply not in our gift to provide).

We would expect the code manager to work with parties when assessing the Nature of Cooperation aspect rather than taking a view unilaterally on whether other options were viable. We suggest incorporating the need to collaborate with code parties on assessing against this criterion and to seek alternatives prior to issuing a formal request. These dialogues could also support the code manager with refining the request for information to ensure it will meet their needs.

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.