

## 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](mailto: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:

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<b>Date of submission</b>	<b>26 March 2025</b>
<b>Do you want your response treated as confidential?</b>  <b>(If yes, please indicate whether you would like the whole of your response to be confidential, or just particular parts).</b>	<b>No</b>

## 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:

*These time horizons are helpful, allowing Code Managers to understand both the immediate priorities and future considerations. We would expect the focus to be on the 'Act Now' items, with forward work plans reflecting the development of the 'Think & Plan' category items.*

*We note that the proposed timescales for 'Act Now' ("within two years") and 'Think & Plan' ("implemented within 2-3 years") are quite similar. Therefore, we believe that items in each of these categories should be considered carefully.*

*We believe that the proposed approach and categorisation provides stability for both Code Managers and Market Participants. The development of the SDS should also consider the impact on Market Participants, who will likely need to dedicate time and resources to support and/or deliver Modifications.*

*We would expect items in the later time bands ('Think & Plan' and 'Listen & Wait') to move forward to earlier bands in subsequent SDS publications. This will also provide transparency regarding the rate of change and industry progress. However, items should only remain on the SDS (or move to earlier timeframes) if there is a continued need or benefit for them; items should not remain on the SDS indefinitely if it is realised they are no longer beneficial or relevant.*

*To ensure the SDS provides the most value, new items should rarely appear for the first time in the 'Act Now' category of future SDSs. While urgent situations may occasionally arise, requiring immediate response, we believe that the SDS should be sufficiently developed and thought through on an on-going basis to ensure that there are limited instances where items come into the plan from "left field". The SDS should identify long-term objectives, supported by horizon scanning activities and wider industry engagement. This approach will allow the SDS to be a true strategic planning tool rather than being a reactive document addressing immediate priorities.*

**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.

- Strongly agree

Comments:

*We feel that the categorisations are appropriate and have no comments on the objectives and items' individual categorisations. However, we note that some activities may require a long period to investigate, engage on, design and implement. We would like clarity how these would be reflected in future SDS publications. Some 'Listen & Wait' activities may still need immediate action. For example, modifications that require changes to systems and processes (particularly where changes may impact interoperability of those systems) need to be given sufficient thought and lead time, something that isn't always done presently.*

**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.

- No

Comments:

*We believe the SDS covers all the expected areas at a high level. The detailed development should be the responsibility of Code Managers, aligned to the SDS.*

*We also believe that the SDS should remain at this level of detail, allowing Code Managers to identify and implement other changes and reforms at the same time. The SDS should*

*not prevent those other changes being considered and progressed by Code Managers and Market Participants.*

*We recognise that all Codes are different, with varying scopes and focus; the SEC has several different aspects that are considered in relation to Modifications that do not feature in other Codes, such as security, privacy, field products and communication devices and their interoperability and standards. This should be considered for the SEC when assessing and categorising policies and developments.*

*We would welcome and be keen to support further engagement with Ofgem around these areas prior to future SDS publications.*

**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:

*The detail was at the right level to allow each Code Manager to progress appropriate changes as required and utilise their own experience and knowledge to deliver against the strategic direction. This should also provide appropriate flexibility for Code Managers to manage their own delivery plans and resource models alongside the requirements of the SDS, ensuring the most efficient and effective delivery of the SDS objectives.*

**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:

*We believe the SDS reflects the direction and forward workplan outlined in our 2025/26 Business Plan and Budget. We will map the elements noted as "SEC-impacting" against our Business and Strategic plans, to confirm if there are any areas not covered. Our initial analysis suggests there are few, if any, misalignments. We are confident that we will be able to implement the direction described by the SDS.*

*We will continue to work with other Code bodies and engage further with Ofgem to ensure our Business Plans, Forward Work Plans and Delivery Plans are aligned with the SDS and any future policy directives are also aligned. We believe greater collaboration between Code Managers will be beneficial in delivering the SDS in the best way for the industry,*

*demonstrating 'joined up thinking' and reflecting our understanding of the Code Manager role.*

**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:

*We would like to explore the timings for future SDS publications. This SDS was published just after we had published our budget for industry consultation. We believe there should be clearer alignment between the SDS consultations and publications and Code Manager budget cycles. We also recognise that different Codes have different obligations around the budgeting processes that will need to be considered; for example, not all Codes have an appeal route. Ultimately, we want to avoid any budget re-openers during the financial year, except for unexpected or urgent events.*

*We are keen to engage further with Ofgem and other Code Managers to seek alignment, ensuring that the SDS can drive Code Manager business plans and budgets. Enhanced engagement between Ofgem and Code Managers during the creation of the SDS, even prior to publication, can ensure better industry alignment. This would present Market Participants with a clear and joined-up set of messages.*

*We believe this approach would demonstrate Ofgem's leadership in strategic direction whilst minimising chances that published budgets would need to change.*

**Question 7** - Do you have any other feedback?

Comments:

*We note that there are a relatively large number of objectives in the SDS where the impacted Code is noted as 'unknown'. We encourage a reduction in the number of these instances and are keen to engage further with Ofgem ahead of each SDS publication to support the identification of Codes impacted by proposals. Providing greater clarity on the impacted Codes will benefit both Market Participants and Code Managers by clearly defining where activities and responsibilities for each objective lie.*

## 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 are broadly supportive of the need for an approach to prioritising changes. However, we would encourage the initial assessment the proposer is required to complete to be as straight forward as possible, so this is not perceived as a barrier to raising changes. Additionally, having the proposer complete this assessment while the Code Panel determines the actual priority could create conflict. A proposer might naturally believe their change is of high importance, whilst the Panel has the benefit of a broader industry view and has to consider the modification in this context. Getting the proposer to do an assessment could lead to more time spent debating prioritisation levels than progressing the change, or more changes being raised as 'Urgent' changes to bypass this process.*

*With the shift to the Code Manager approach, we assume the responsibility for prioritisation would move to the Stakeholder Advisory Forum or the Code Manager itself. It is crucial that these entities have the necessary skills and capabilities to provide a robust assessment of prioritisation. It should be noted that in the case of the SEC that the SEC Panel has a different remit to the Panels under the other Codes and does not have a day-to-day role in determining modifications – this is managed by the SEC Change Board.*

*We would also like to understand if there would be any route for a proposer to appeal the prioritisation decision. We feel that this route should not typically be available, as it could divert time and effort away from delivering the changes – however we do think that there*

*should be some mechanism for appeal. A transparent and robust process for determining prioritisation should minimise the need for appeals.*

*We recognise that some changes might be constantly pushed to the back of the queue due to higher priority changes taking precedence. While this may be frustrating for proposers, a clearly defined and transparent process with robust criteria, principles and guidance should make it apparent why such decisions are made.*

*The prioritisation process should not result in only higher-priority items being progressed. When delivery plans are created, it may be possible to progress some lower-priority changes as well, minimising the situation of changes being perpetually at the back of the queue. There should be some flexibility allowed to also recognise when there is an economic benefit to progressing a few changes which impact the same system or part of a system. It may also be beneficial to have feedback from the relevant Delivery Body as well to help understand when those benefits may be possible.*

*We note the proposed quarterly re-assessment of prioritisation levels and feel this is inappropriate and an unnecessary additional work burden. We support ensuring prioritisation remains correct and suggest that it be reviewed on an 'as and when' basis. Code Managers are well-placed to identify when changes in conditions or situations warrant a re-assessment of a Modification's prioritisation level. Mandating a fixed review cycle would add a significant administrative burden and could impact already-planned workplans and resourcing of both Code Managers and Market Participants.*

**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:

*We believe the proposed criteria and categories are logical and set a clear framework for participants and code Panels. However, we believe there should also be a recognition of the difference in effort and impact between 'text only' Modifications and those requiring system changes.*

*We would be keen to support the development of a consistent approach in evaluation of the criteria by the different Codes, with Code Managers working together to determine methodologies and principles to undertake this activity. These methodologies and principles should be published and revised as needed. They should not be too granular, as*

*this could overlook the differences between Codes or limit the flexibility necessary for Code Manager independence in identifying and implementing other changes and reforms.*

*We also believe Code Mangers could facilitate meetings between the Code Chairs to ensure a consistent approach in assessing the criteria. This would also benefit scenarios where a change affects multiple Codes, or there are initial conflicts in prioritisation determinations.*

**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 the legal drafting delivers the proposed prioritisation criteria. However, we hope that the comments provided in the previous two answers can be considered in any revisions to the text.*

**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:

*We agree with these definitions but, as outlined in Questions 8 and 9, believe the Code Managers should have the opportunity to develop methodologies and guidance on how the criteria should be interpreted.*

**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:

*We feel that careful consideration should be given to applying the prioritisation process to live Modifications; whilst this would be an opportunity to quickly gain the benefits of the approach by ensuring industry and Code body effort is focused on the higher-priority*



*Modifications, there is also the potential to add uncertainty for industry and additional costs in potential delays or re-timing of activities.*

### 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?

- Strongly agree

Comments:

*We recognise that Market Participants do not always engage in the Modifications process due to time and resource constraints. Therefore, we welcome the addition of a standard condition for cooperation. We understand that Parties often have to prioritise which Modifications they engage with, and this condition will ensure a clear route to explicitly identify when particular engagement is required, especially among smaller Market Participants. We have the Small Suppliers Forum under the SEC; we would intend to utilise this to get engagement in the most efficient way. This may also be a useful mechanism to elicit feedback from those not normally involved in discussions, demonstrating the value that they can bring if they are more involved.*

*However, we want to ensure that this does not add unnecessary burden to Parties and must have clear criteria for when it is utilised. We suggest that an initial informal engagement route is always used before calling on an SLC requirement.*

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

- Strongly Agree

Comments:

*We strongly support the use of criteria for Code Managers to consider before issuing a request for cooperation. The proposed criteria seem sensible and provide clear direction for when these requests could be utilised. We hope that this criteria is not permanently fixed and can be reviewed with industry feedback once the process has been embedded. This will ensure it remains relevant and proportionate.*