

Interconnector Ltd response – Ofgem Consultation on the preliminary Strategic Direction Statement and governance arrangements for industry codes

Template part 1: Your organisation's details:

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Date of submission	18 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:

Please refer to our response to 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:

There is some overlap in topics across the different categories. This could be used as a positive to ensure that relevant changes remain prioritised across the wider five-year timeline. However this must be balanced with the risk that this cross-over could give stakeholders the impression that a specific Modification or Review can be delayed to a later timeframe.

Specifically, “Network Charging Arrangements” is listed under all the three SDS time horizons (“Act Now”, “Think and Plan”, “Listen and Wait”). Given that the topic is broad, this may be appropriate, however there will be charging topics that should be targeted for completion to the earlier timeframe.

For example, conclusion of the (already underway) NTS Charging Methodology Review and UNC0903 ‘The Introduction of a Single NTS Capacity Reference Price’ should be targeted within the earlier timeframe of 1-2 years. The target timeframes for such sub-categories need to be made clear to all industry, where in this case the wider charging topic also shows under the respective 2-3- and 3-5-year timescales inside the SDS file.

In the interest of transparency and clarity for all, we would also like to recommend that Ofgem consider reference to Calendar Years within the SDS file. The current proposed draft uses Financial Years, however Ofgem’s may be different to other stakeholders’ respective Financial Years.

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 are in a period of many incoming cross border EU regulatory changes which need to be considered and assessed for interaction and compatibility with GB rules. There is a risk that incompatible rules create barriers to cross border trade. The full exact timeframes are not confirmed; however the EU CAM Network Code (NC) revision has now commenced, and the Interoperability NC is being reviewed.

Currently, the CAM NC is adopted in GB rules from pre-Brexit. However, today any changes to EU rules will not be automatically transposed in GB arrangements and we therefore risk regulatory divergence unless compatible arrangements are maintained.

It is important that the GB review of these EU regulatory changes is prioritised, and that GB industry remains flexible to account for currently unconfirmed timeframes across the various Gas Network Codes. This type of discussion has commenced for the CAM Review with UNC 0902R 'EU Capacity Allocation Mechanism Network Code Review', where the objective is to review the EU changes, consider how we ensure compatible arrangements, and to establish what the legislative process would look like if changes were to be adopted.

To avoid regulatory divergence with the EU gas market, to avoid incompatible arrangements and to avoid barriers to cross-border trade, these types of industry reviews and subsequent code modifications must be prioritised by stakeholders including Code Managers.

We therefore recommend that "Changes to EU Regulatory Arrangements" is added in the SDS. We recommend that this is added across the full five-year outlook to reflect current timeframe uncertainty and the likelihood that changes will be ongoing over the years to come.

Question 4 – Did you find the SDS easy to understand and do you think that the level of detail included is sufficient to allow you to begin raising and implementing code changes?

- No

Comments:

Currently, Interconnector Ltd is non-party to the UNC, and therefore unable itself to raise code modifications.

This is where the UNC arrangements are limited in terms of participation rights and stakeholders' ability to raise proposals – regardless of whether that proposal would align with or support the latest SDS priorities.

It is currently not possible for the gas interconnectors to raise modification proposals, whilst other gas flexibility assets such as GB storages and LNG can do so. This is despite the interconnector operators being certified as GB TSOs and NTS market arrangements having direct impact on cross border trade. As GB becomes more dependent on gas imports, a more inclusive process is necessary. We therefore welcome consideration of reform to expand signatories to include gas interconnectors and UK TSOs, to be able to raise modifications and to be included in stakeholder forums as full and equal partners.

This would ensure a more open and fair code governance process and supports the 'Code Governance Reform' priority which is included in this preliminary SDS.

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.

- No view

Comments:

N/A

Question 7 - Do you have any other feedback?

Comments:

N/A

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:

It is beneficial that modifications can be reviewed on a regular basis to ensure appropriateness remains for a modification that is being prioritised under the proposed criteria, i.e. if the government policy priorities were to change significantly. However, if all modifications are reviewed under the prescribed criteria ("Aligns with the SDS", "Complexity", "Importance", "Time-sensitivity") and a priority level assigned, then the quarterly review process must be transparent and inclusive to avoid unnecessary or disproportionate de-prioritisation of a modification which is already progressing well and benefiting SDS objectives, in the interest of efficiency and recognising the volume of modifications possibly expected.

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 understand the need for the prioritisation criteria and categories within the SDS-related modification process. However, it is important to recognise that this process is separate from, and in addition to, the existing modification 'urgency' status. Both considerations

are included in the proposer's request and approved by the UNC Modification Panel – so the process must be transparent and inclusive to ensure that the two separate decision channels and considerations are clear and explicit when the UNC Modification Panel makes its decision.

With this, the proposals in the consultation would benefit from additional detail to make it clear how 'urgent' and 'priority' modifications are handled during the industry-led development process (i.e. do both classifications carry the same weight?).

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:

In line with our answer to Question 9, we agree that the 'urgent' and 'priority' status can be separate given the different objectives of each. However, if these are indeed explicit from one another, the decision-making process by the UNC Modification Panel must be transparent and inclusive.

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 'Standard Priority' and 'High Priority' themselves are clear, though quite high-level. This is acceptable, however the decision-making process which will be specific to the latest SDS content, must be clear and transparent for industry to have confidence that the appropriate label is applied, and so that the appropriate considerations are taken during the Modification development process which will be led by industry stakeholders under existing Modification governance.

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:

Applying the new proposed prioritisation process to existing modifications would ensure a level-playing field and avoid discrimination between both incoming and existing important modifications. It would also mean that, in the interest of efficiency, proposers may still raise important modification proposals now with the assurance that they would be prioritised, rather than unnecessarily having to wait for the new SDS prioritisation criteria to be published.

For example, the ongoing respective UNC modifications around the EU CAM Review and the NTS Charging Review should be allowed to continue efficiently as they are doing so now, but to be labelled high priority as appropriate, once the first approved SDS file is available.

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?

- Disagree

Comments:

We support the principle to enable a Code Manager, in its new role within governance, to request the appropriate information from stakeholders to support efficient and well-informed development of codes (such as the UNC) and related modifications, in line with the latest SDS content and government strategic priorities.

However, who the Code Manager can request information from needs to be made clearer.

The current drafting refers to “Licensee”. It should be clear that that Licensee needs to be a signatory to the relevant code that the code manager is reviewing, and any such request must also clearly justify the request. Without such clear rules, Licensees could receive information requests for multiple areas and codes which may have no direct relevance to them. It is important to ensure the process remains efficient and avoids undue administrative burdens on Licensees.

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

- Agree

Comments:

Please refer to our response to Question 13.

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
<i>Do you have any comments about the overall process of this consultation?</i>	N/A
<i>Do you have any comments about its tone and content?</i>	N/A
<i>Was it easy to read and understand? Or could it have been better written?</i>	N/A
<i>Were its conclusions balanced?</i>	N/A
<i>Did it make reasoned recommendations for improvement?</i>	N/A
<i>Any further comments?</i>	N/A

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.