

# **Ofgem consultation on the preliminary Strategic Direction Statement and governance arrangements for industry codes**

Citizens Advice response

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March 2025

This response is not confidential and may be freely published.

We believe that this consultation is a useful contribution to gain views for the format and content of the preliminary Strategic Direction Statement (SDS)<sup>1</sup> and for the continuing development of the code manager governance model. We are supportive of the direction of these consultation proposals including the three time horizons, the emphasis on prioritisation, consistent criteria across codes for prioritising modifications, the principles-based condition for cooperation, and for stakeholder engagement.

We are particularly pleased to see the strong consumer emphasis of Objective 2 of the SDS (p20) to 'Ensure high quality of focus' and we welcome its emphasis on protecting domestic and non-domestic consumers, and consumers in vulnerable situations.

Our chief recommendations are:

- That there is sufficient resource built into the modification process to enable standard priority modifications (which may only affect one or a few parties but are of overall consumer benefit) to be able to proceed alongside the urgent or high priority modifications. We are concerned that if only the highest priority modifications are acted upon that there may be a detrimental effect on industry participation for innovation or competition which may not be in consumers' wider interests.
- For a right of appeal to allow a code party and consumer advocacy groups to challenge a modification prioritisation.
- For better cross-code coordination. This could be led by Ofgem or through a body such as an evolved and reinvigorated Code Administration Code of Practice (CACOP) or a wider remit Cross-Code Steering Group.

**Q1. Is the structuring of SDS content into three time horizons (Act now, Think & plan, Listen & wait) helpful?**

Yes, we believe that these time horizon categories will be useful to reflect strategic policy priorities.

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<sup>1</sup> Ofgem, [Preliminary Strategic Direction Statement](#)

**Q2. 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.**

Yes, we agree that these categorisations should assist in prioritising code managers' activities.

**Q3. 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 response.

**Q4. 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?**

The SDS is comprehensive and straightforward.

**Q5. If you are a code administrator or code panel what action do you intend to take, if any, to implement the SDS following publication?**

Not applicable.

**Q6. 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.**

A body to assist in harmonising priorities across codes may be needed to appropriately progress the process of code changes. Ofgem could take on this function themselves or use a body such as Code Administration Code of Practice

(CACOP) or a wider remit Cross-Code Steering Group (CSSG). If CACOP or the CCSG is used, it would need to be evolved to ensure comprehensive involvement from all codes and be given more responsibility to coordinate prioritisation and actions effectively.

Current budget setting and business plan activities by code bodies appear to work well in engaging stakeholders and parties in understanding and inputting into the future resource requirements of code administrators. The best practice in this area should be retained.

**Q7. Do you have any other feedback?**

No response.

**Prioritisation of code modifications**

**Q8. 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.**

We support the proposals outlined above.

**Q9. Do you agree with our proposed prioritisation criteria and prioritisation categories? If not, please specify what changes you suggest and why.**

It is recommended that there is an appeals process for those parties and consumer advocacy groups whose modifications are not of a higher priority to be able to argue for faster action for their modification. Similarly, standard priority modifications, which may only affect one or a few parties, still need to be able to advance promptly through the modification process, as it may be in consumers' interests to foster innovation and competition. Sufficient resources within the modification process need to be provided to allow for such modifications otherwise there may be a negative effect on parties' participation and a detriment for consumers.

**Q10. 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.**

No response.

**Q11. 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.**

Yes, we agree with the proposed definitions.

**Q12. Do you have views on whether this proposed prioritisation process should also 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?**

We believe that live modifications should have the proposed prioritisation process applied to them at the date of effect of the proposed code changes as well as newly proposed modifications.

## **Role of stakeholders**

### **Q13. 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?**

We support the condition to ensure cooperation such as providing information for code modification development. It should be hoped that the active use of the condition will not be necessary given the general willingness of industry code parties and other stakeholders to support modifications and the development of the industry.

### **Q14. Do you agree with the proposed criteria the code manager should consider prior to issuing a request for cooperation?**

We agree with the proposed five criteria and that it should be consistent across all codes. It may be valuable for the code manager to be required to liaise with any cross-code body established to help drive the modifications process to monitor the number and potentially extensive nature of such requests. This liaison should mitigate the risk of multiple code managers making requests of parties and stakeholders that are beyond the resources of the party or stakeholder to deliver in a timely manner.

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Published March 2025.

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Registered charity number 279057.