
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	Adam Brown
Role title	Codes and Policy Manager
Company name	National Grid Electricity Transmission plc
Telephone number	
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Date of submission	
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: None

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: Within both “Act now” and “Think & Plan” there needs to be further prioritisation arrangements set out, e.g. out of 10 Act Now proposals, which takes priority?

Although most of the modifications set out in the Subsidiary Document 1 appear reasonable, we do have a number of specific comments over potential for inconsistency across some areas of work, and in some policy areas which we believe should not be within the “Listen & Wait” category but in the “Act Now” or “Think & Plan” categories. We also noted significant absence of linkage to SQSS in a number of areas. Our observations are provided below.

- **6.1 Continue to drive accelerated onshore network investment**
We believe this should be at least in the “Think & Plan” category rather than “Listen & Wait”, as there may be interactions with SQSS in this space where further clarity on system compliance could be required

depending on the timing of connection works relative to timing of reinforcement.

- **6.3 Enhance flexibility through electricity interconnection**

We believe this should be at least in the “Think & Plan” category as we believe there are interactions with SQSS in this space. The proposal implies interconnectors would cease to be simple injection points into the NETS. There would seem to be potential for the SQSS to require revision for such an arrangement, depending on where boundaries between second country network/markets and GB OFTO are physically and/or logically placed.

- **9.2 Enable faster electricity network connections**

We believe this should include SQSS, particularly if any timing displacement between connection works and reinforcement works is being considered.

- **10.4 Build resilience to extreme climate events and long-term climate change**

We note that the Environment Agency are giving more active attention to resilience of network operators in terms of design, planning and preparedness that does not seem to accord to the matter being low priority activity with the SDS. We feel that there may be potential inconsistency across regulatory sectors, given this topic is assigned to the “Listen & Wait” category. We appreciate that a desired level of certainty may not yet have been reached in the environmental space to be clear on the changes needed in the electricity regulatory space, but there appears to be a potential mismatch of prioritisation.

- **13.1 Unlock distributed flexibility and regulate load controllers**

We believe the SQSS should be included in this topic consideration, mindful that flexibility might provide substitute to resilience from conventional circuit capacity, perhaps on a planned resilience basis rather than operational basis. The codification of how much flexibility is formally accounted for within SQSS planning assessments for security of supply compliance seems necessary.

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 is comprehensive and do not have any additional proposals for additional items.

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 SDS is well structured and the accompanying spreadsheet a useful addition to view the proposals through difference lenses.

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?

- **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: There does need to be sufficient resource within code managers to support a suitable level of work on all three categorisations, not just Act Now. Sufficient resource is required to enable some extent of active progress in respect of Think & Plan and Listen & Wait topics. In relation to Listen & Wait, what might be implied to be a completely un-resourced passive approach may not suffice.

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.

- **Agree**

Comments: We support this overall position. We agree the code panel should be responsible for determining the prioritisation of the modification proposal, and that this assessment could be helped by the proposer's own self-assessment. This will better ensure that prioritisation is done consistently across different modifications and remove any bias there may be from the proposer's own assessment.

Reviewing priorities quarterly should be the minimum standard and code panels should be able to review priorities more frequently if needed. This will avoid delaying the development of modifications where opportunities arise that mean it could be progressed sooner but would be waiting for the next quarterly review.

A code register should provide industry participants visibility what proposals have been raised and the code panel's prioritisation decisions. We believe the register should publish more than simply where a modification is urgent or not, as this gives very little indication of what proposals will be considered next i.e. not all non-urgent 'standard' modifications will have the same priority. See

response to Q9 for further details.

We also believe the register should also include sufficient information to allow code panels to justify their decision. This will provide confidence in the assessments made by the panel; provide an opportunity to challenge where factors have not been fully considered; and, in time, improve the accuracy of proposers' own self-assessments.

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:

Prioritisation Criteria

The proposals outlined in Para 3.22 and in Annex B identify four criteria for prioritisation assessments. We believe each of these are sensible components of a prioritisation framework. However, we believe further guidance is needed for code panels to assess modifications consistently, both within their own remit and also between code panels (which is important where a policy needs multiple codes to be changed to implement it). For example:

- it is not clear when assessing '**complexity**' whether high complexity proposal should mean it is a higher or lower priority than one with low complexity. It is also not clear whether complexity should be part of the prioritisation criteria.
- when '**importance**' is being assessed, the examples provided are helpful areas to focus panels' considerations, but it is not clear how the assessment would be made in practice without further guidance from Ofgem. For instance, a panel's assessment of the impact of a modification proposal on industry parties' licence obligations could be hugely complex and may misjudge the impact on certain parties or sectors.
- it is not clear how **the four criteria interact / ladder-up**. For example, for a non-urgent proposal to be judged a 'high' priority, should that decision be supported by all the criteria or just a subset of these; and, if the latter, are all the criteria equally important.

It is noteworthy that the prioritisation criteria make no linkage to the applicable code objectives, such as whether a proposal is likely to better facilitate competition. This could be right if there is insufficient information to make this assessment or if it would bias / fetter future decisions the code panel would need to make. However, it would seem logical that proposals that are more likely to have a bigger positive impact on the code obligations should be prioritised more highly than one that has a smaller or weaker impact. We would therefore welcome further clarity on Ofgem's rationale for not making explicit linkages to the relevant code objectives.

Prioritisation Categories

The consultation identifies a 'standard' and 'high' priorities for non-urgent proposals. However, what Annex B actually articulates are two non-urgent pathways with different timelines and resource requirements. Prioritising proposals involves deciding how to sequence of work to make best use of industry resources i.e. allowing proposal with a higher priority (however defined) to be considered ahead of those with a lower priority, regardless of when the proposals were submitted and regardless of whether they have been assessed to use the 'standard' pathway. The proposals as they stand do not do this. Therefore, we believe additional guidance is needed to allow code panels to determine which modifications will be considered 'now, next, later'. This would ensure changes that deliver better outcomes could be progressed sooner and industry participants would have better insight on the future workloads and work planning.

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: Our response is limited to the legal text changes for the CUSC, STC, and Grid Code. We believe the proposed legal text would implement the changes set out in Ofgem's consultation. We note additional changes could be required following this consultation, but it may be that these could be achieved through the "Ofgem Guidance on Code Modification Prioritisation".

Clearly, once implemented, we would expect Ofgem to undertake some form of industry consultation ahead of making any material changes to this guidance document in future. We believe the process for this should be clarified.

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.

- **Disagree**

Comments: See response to Q9.

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: There is merit in applying any revised prioritisation arrangements to live modifications, at this would enable modifications that are most aligned with the SDS to be progressed soonest. If this were to be done, then input from the proposers should be sought to ensure that panels have all the information necessary to support this assessment, mirroring to the extent possible, the intended future process.

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?

- **Neither agree nor disagree**

Comments: Notwithstanding general concerns about parties' ability to comply with principles based licence conditions, we believe the proposed licence conditions are reasonable approach in this instance.

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

- **Agree**

Comments: We believe the criteria proposed form a sensible basis for code managers to assess where a request for cooperation is reasonable. We have the following specific comments:

- the “timing” test should be extended to include whether sufficient notice of a request has been provided. This would ensure that a licensee can plan how it will cooperate, rather than being unable to do so because of a short notice period.
- the “volume” test rightly recognises there should not be duplicative requests. We believe this test could also require code managers to work together so that between them requests are not duplicated.

We would like to better understand the governance of these tests, to have comfort that code managers will comply with them and to allow them to be changed in a controlled way with consultation, if needed in the future.

We also think there would be value in Code Managers including their justification for information and cooperation against the five ‘reasonableness’ tests; and why the specific request is needed.

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?	No
Do you have any comments about its tone and content?	No
Was it easy to read and understand? Or could it have been better written?	Easy to read
Were its conclusions balanced?	Balanced
Did it make reasoned recommendations for improvement?	Yes
Any further comments?	No

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.