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Dear Ofgem Code Governance Reform Team,

RE: Consultation on the preliminary Strategic Direction Statement (SDS) and governance arrangements for industry codes

Thank you for the opportunity to respond to this consultation on behalf of the SSE Group.¹

2025 is set to be a defining year for energy policy in Great Britain, with the UK government accelerating decarbonisation targets with their Clean Power 2030 Action Plan² that sets out the vision and pathway towards a new era of clean electricity. With this in mind, it is more important than ever to ensure that the industry codes are functioning as effectively as possible to support the government in pursuing these accelerated objectives.

We commend the quality of work within the SDS and the potential value that this can provide in fostering closer collaboration between Ofgem, Government and industry. Ofgem's analysis underscores the critical role of energy codes in achieving policy goals and ensuring regulatory compliance. However, it also highlights both the significant volume of code changes required over the next five years and the widespread lack of policy certainty, which risks code managers' ability to act effectively.

While the theory of categorising activities into 'Act Now,' 'Think and Plan,' and 'Listen and Wait' is sound, the practical distinctions between the latter categories are minimal, and therefore code managers must prioritise 'Act Now' initiatives. In turn, we advocate for a framework with clear, objective thresholds to ensure policy areas are definitively identified as having strong policy certainty and can be moved to 'Act Now' designation in a more agile manner.

Whilst we agree that introducing an amended prioritisation process could support the new code governance process, there is insufficient detail to adequately assess this. We consider that these criteria would benefit from further detail - for example, we consider that the prioritisation assessment criteria should be expanded in scope to include progress against net zero, impact on domestic and non-domestic consumers, ensuring security of supply, and ensuring safe and reliable operation of networks. In addition, we would encourage Ofgem to be clearer on the timescales and approach for implementing these new

¹ The SSE Group is one of the largest UK listed companies and includes six business units – SSE's Network Businesses (SSEN Distribution, and SSEN Transmission) and SSE's Energy Businesses (SSE Renewables, SSE Thermal, SSE Energy Solutions, and SSE Energy Markets).

² [Clean Power 2030 Action Plan: A new era of clean electricity | UK Government | December 2024](#)

processes, and to set out a detailed work plan if minded to apply the amended prioritisation process to every live modification, given the significant impact on industry resource that this would have.

We continue to believe the case for a new licence condition for cooperation has not been made. We maintain our long-standing position that we do not feel the case for its introduction has been sufficiently made, and that existing arrangements in place currently achieve this outcome. We would encourage Ofgem to reassess this proposal against its growth duty objectives and, instead, we would urge the development of a code modification process which encourages cooperation between all relevant parties to realise the same end product.

Finally, we continue to believe that Ofgem needs to set out its vision for the future code governance process. We continue to find it difficult to fully comment on each code reform consultation when the new modification process and actors' responsibilities within this are yet to be finalised. The end state for other initiatives such as code consolidation, Stakeholder Advisory Forums (SAFs) and code managers are yet to be confirmed, which in turn limits our ability to fully comment on the SDS and proposed prioritisation and reasonableness criteria given that these areas are all interlinked. The development of an accompanying plan on the progress of code reform to date would be beneficial, and should outline which aspect of the codes process has been consulted on so far (and what the summary of the position is), whilst also outlining what future areas of the new process are awaiting consultation.

We recognise the effort Ofgem has put into this programme of work so far and we remain fully committed to ensure that the implementation of a new end-to-end code process is successful. We look forward to discussing our response with you.

To confirm, our response is not confidential.

Yours sincerely,

Nicholas Phillips
Regulation Manager

Appendix: SSE response to consultation questions

APPROACH TO STRATEGIC DIRECTION STATEMENT

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

Yes – the three defined horizons are helpful for mapping code changes against policy objectives but we would welcome a more robust framework that sets out what can be classified as Act Now. For example, this could take into account the existence of government policy, providing a clear signal to Ofgem of the areas that require further policy clarity. Furthermore, we consider that any modifications assessed as having a potential impact on security of supply should be classified as Act Now. Whilst we appreciate that there is a ‘Resilience’ pillar within Ofgem’s consumer interest framework used to determine policy area classifications that refers to security of supply, our view is that the materiality of this consideration means it should be assessed against every proposed policy area within the SDS.

We also believe that the use of the three-time horizons could be improved further by providing additional detail. For modifications that have no categorisation and are labelled ‘N/A’ and described as ‘*do not think this objective currently has policy that requires implementation through codes*’ for example ‘1.1 Operate and evolve price protection’, our view is that further policy detail should still be required. When an N/A categorisation has been applied, the preliminary SDS does not explain the rationale or thinking as to how this decision has been made. Furthermore, the SDS does not include the latest policy direction for that specific area, yet when cross referencing the Ofgem multiyear strategy document, there is detail within this document on the priorities for the years to come.

To improve the SDS and the structuring of policy areas by time horizons, any policy area which has been classified N/A within the SDS should still have the latest policy detail and direction included within the document itself. Doing so would help increase the usefulness of the SDS by making it a truly singular source of all energy policy and the extent to which industry codes are impacted by this.

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.

With the significant size of the preliminary SDS document and the associated summary spreadsheet in mind, we have endeavoured to assess the categorisation of every policy area and reconcile what the impact is across the full SSE group. As a result, please find a list below of recommendations regarding time horizon categorisations:

- **2.2: Protect the interests of non-domestic consumers** – Given this area will impact non-domestic customers, changes to the DCUSA code should also be expected as the DCUSA covers suppliers that are both domestic and non-domestic and in turn we recommend that the impacted codes goes beyond just the REC.
- **4.1: Develop and implement heat network regulation** – The ‘Unknown’ category should be selected as opposed to no impact, given other parts of the energy system may need to be amended when the impact of heat networks are considered in the future.

- **5.1: Oversee production and implementation of a new Strategic Spatial Energy Plan** - There are already significant data and info exchanges between NESO and Transmission Owners to deliver the SSEP. We should not be waiting 3 to 5 years to think about formalising some and/or all of this and therefore believe this should be moved to Act Now.
- **5.3: Establish Regional Energy Strategic Planners** – The policy timelines for RESP are broadly similar to 5.2 (Establish and implement mechanisms to realise the Centralised Strategic Network Plan) which is classified as Act Now, and therefore recommend that 5.3 is amended to this same time classification.
- **6.1: Continue to drive accelerated onshore network investment** -
 - Regarding information sharing, there are already several proposed licence changes that will introduce new obligations on TOs to share information with NESO. These will give NESO more power to require TOs to provide info in relation to specific NESO objectives, for example their obligations relating to the Connections Network Design Methodology (CNDM) and early competition in addition to the power NESO already has to request information from TOs.
 - Ofgem must develop a coherent position on information sharing between the NESO and TOs to avoid the current inconsistent approach which is creating multiple different obligations with no consistency in drafting or governance and process. Cumulatively, this is potentially a significant increased regulatory burden on TOs.
 - Although we recognise there are some cases where a specific information exchange process with guidance is required to make roles and responsibilities between parties clear, there are instances where new obligations could duplicate information sharing requirements within the STC. If additional requirements are needed, they would potentially be better defined within this code which has the appropriate governance and processes already established.
- **6.2: Continue to operate and iterate the Offshore Transmission Owner (OFTO) framework** – The future of the OFTO process could require changes to the CUSC as this area develops further such as the extension of the existing revenue stream after the end of the existing regulatory period, and we therefore recommend reviewing this policy area again rather than it being classified as N/A.
- **6.3: Enhance flexibility through electricity interconnection** – It is not clear that there is enough policy certainty for this area to provide confidence that modifications could be raised within the next few years. The reality is that beyond high-level cap and floor principles, we do not know the details of a future regime for Offshore Hybrid Assets (OHA), with the intent being that these are developed in parallel with the chosen pilot projects as they progress through development.
- **7.2: Prepare for repurposing and decommissioning of the gas grid** – We do not believe the case has been made that this area should be classified as Act Now. There is a clear need for government policy direction on next steps, and as a result we are unconvinced that this ranking should be progressed. Further, given the impact on consumers from changes to the gas system from a retail perspective, the REC could feasibly come under the scope of review.
- **10.1: Pursue security of supply**

- Our view is that the scope of this policy area should be expanded to consider the benefits that storage assets can provide to security of supply considerations within an intermittent energy system.
- Further, we are not convinced that security of supply is correctly prioritised and implemented within current codes system and that this creates risk. For example, NESO is consulting on proposals following a review of the SQSS standard to identify areas where a change in approach to risk management could be adopted that would allow more outages to proceed whilst still ensuring that the operational security was not unreasonably exposed. We suggest the SDS is clear in enabling code manager to prioritise security mods as a priority in each year as Act Now, and we do not want the SDS to become a barrier to making necessary changes to protect system security/ resilience.
- **10.4 Build resilience to extreme climate events and long-term climate change** – The current impacted codes assessment does not include the UNC; this should come within scope as the UNC contains gas emergency arrangements. Building on this, and in line with our feedback on 10.1, we urge Ofgem to ensure that all security of supply and resilient supply policy areas are classified as Act Now given the critical impact these areas have on ensuring GB energy security.
- **13.1: Unlock distributed flexibility and regulate load controllers** – The interaction between aggregators / suppliers should include changes to the REC in addition to BSC changes. Wider barriers to distributed flexibility should also be expanded to include potential DCUSA changes.

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, subject to the recommendations we have provided in Q2), we have not identified any material omissions.

One factor to consider within the design of the SDS is the role DESNZ plays with providing the government position on policy direction. The use of the SPS as an input to the SDS is key, and our view is that Ofgem should work with government on updating the latest version of the SPS as soon as possible, given the recent change in government. We believe there is value in pursuing this in advance of the 5-year requirement as is currently designated in the Energy Act 2013, and urge Ofgem to collaborate with DESNZ on this matter.

Building on this, we also believe that the SDS has the potential to reveal areas where this is currently minimal government policy direction when mapped against codes. As set out in our response to Q1, there is value in the SDS highlighting this, as it can be used to prompt government on the need for progress in the highlighted areas.

In addition, we consider that this exercise has highlighted the potential for changes proposed in the SDS to impact upon stakeholders with licence condition obligations (e.g., Transmission Operators) and, therefore, we would encourage Ofgem to engage with a wide range of stakeholders as part of the development of the strategic assessment prior to the publication of the consultation on the SDS.

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 modifications?

No, we believe that more detail is required. In particular, our view is that the Act Now categorisation should include further detail and analysis to outline exactly how this determination has been made. As set out in Q1) this should take the form of a methodology or framework document which outlines what milestones have been passed to merit the determination of an Act Now categorisation for a policy area and confirm that a clear policy position is known for an area, such as reference to closed government consultations.

Having a methodology or framework in place would also help increase transparency; it would help share insight as to how this decision has been made whilst also helping make a categorisation less of a subjective decision that Ofgem have made in their own view, and more of an objective decision which clearly presents the needs case for awarding an Act Now determination. There would also be value in applying this same level of test to the other time horizons classifications in the future as the SDS process continues to evolve.

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?

N/A – not relevant to SSE.

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.

The most important aspect for ensuring a smooth implementation of the SDS is to clarify how each consultation in the Energy Code Reform programme links to the overall development of a new code governance process. Introducing a defined responsibilities diagram which includes the confirmed actions of every actor at each stage of this reformed code modification process would be valuable. This could be updated from consultation to consultation, thereby outlining what has changed and been added between updates. It is difficult to engage and comment on the full process when so many aspects of code reform are unknown. For example, SAFs are mentioned within the consultation once, whilst code consolidation is not mentioned at all – yet our views on prioritisation or reasonableness criteria are likely to be impacted by the outcome of decisions in those areas. Accordingly, the integration and reference to other ongoing reforms is essential to a coherent and successful outcome being delivered.

Q7) Do you have any other feedback?

All of our feedback has been covered in the answers we provided from Q1) to Q6).

CODE GOVERNANCE ARRANGEMENTS FOR PRIORITISATION

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.**

Whilst we appreciate that there is value in implementing a harmonised and uniform prioritisation process across all codes, and that creating interim arrangements in advance of code managers being appointed can aid in facilitating a smooth transition to new code governance arrangements, we remain concerned that the interim proposal lacks the required detail and further clarity is needed before implementation.

From a high-level perspective, we remain concerned that interim arrangements which combine the existing and new set of arrangements are being developed ahead of the end state for the new process being finalised and shared. For example, in developing the roles of panels within the hybrid prioritisation process, it is difficult to fully comment when their future iteration in the form of SAFs have not yet had their roles and responsibilities in the code modification process confirmed. We urge this consultation to link the roles of SAFs with the rest of the modification process, such as implementing the SDS, to help better inform stakeholders on what the end goal was are progressing towards will look like. In this context, we think it would be valuable to ensure these interim prioritisation criteria are reviewed when individual code managers are appointed.

Regarding point (a) – We urge Ofgem to consider fully the impact of mandating proposers to include an assessment against the potential prioritisation criteria. Modifications raised for each code currently have their own code specific criteria to consider when raising modifications, so the additional assessment form is likely to increase resource and commitment on users during a critical time for industry. Further, the consultation does not include any details on timelines as to when this interim process would be implemented and when modifications would have to consider this additional prioritisation assessment criteria. We recommend Ofgem publish clarity on this issue as soon as possible so that stakeholders can fully understand what is expected of them and begin taking the necessary steps to prepare.

For point (b) – We agree that panels should be responsible for determining the prioritisation categories. Panels have institutional knowledge and experience on prior development within codes, enhancing their suitability to conduct a dual assessment of both the existing prioritisation criteria unique to their code, and of this assessment against the newly introduced uniform prioritisation assessment criteria. However, we would reiterate that caution should be given to the heavy resource impact on them should the criteria need to be applied to all open code modifications.

On point (c) – Yes, this is best practice to ensure that industry developments within the codes are reflective of the latest issues within the wider policy environment. A reassessment of code modifications from time to time is currently used within existing codes processes, so the development of a quarterly review should learn and build upon best practice in this area.

And for point (d) – Yes, we urge the development of a register that will help increase the transparency and accessibility of updates and progress for each code. As mentioned above, there are similar initiatives currently in place within existing code procedures and we urge Ofgem to build upon the successful elements of these systems and introduce an obligation for all code managers to collaborate on the creation and upkeep of a single industry code register.

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

We do not agree with the proposed prioritisation criteria within its current format, and believe that more detail must be considered before implementation. In particular, detail is required on what would qualify as satisfactory compliance with each of the criteria, as doing so would help remove the ambiguity and subjectivity on how each of the criteria can be interpreted, especially when criteria such as alignment with SDS is relatively vague in its current format. We would urge that guidance is published alongside the new set of criteria to help stakeholders better understand the interpretation of criteria such as SDS alignment, with the use of examples from the preliminary SDS as a case study.

On the assessment criteria themselves, whilst the four provided (alignment with the SDS, complexity, importance, and time-sensitivity) provides an adequate starting point, there is scope for improvement. This would include expanding the assessment criteria to reference critical industry considerations such as ability of modification to progress net zero, impact on domestic and non-domestic consumers, ensuring security of supply, and ensuring safe and reliable operation of networks. The inclusion of these additional criteria would allow panels to make a more informed decision on determining what prioritisation classification is applied to each modification.

It is also our view that assessment criteria should be forward looking and factor in the next stages of the code reform process. It is not clear if the four prioritisation criteria presented are set to be enduring or if they are an interim arrangement that has been developed and we note that there is no reference to the code consolidation process Ofgem is minded to progress within the consultation. Our view is that the assessment criteria should account for the code specific nature of the consolidated codes, such as commercial or technical, and this should be captured with the addition of a code specific assessment criteria. We appreciate that this is against the principle of pursuing a uniformed prioritisation process, but believe the value added from implementing a code specific assessment criteria will help ensure the successful implementation of both the SDS and of code consolidation. In this context, we think it would be valuable to ensure these interim prioritisation criteria are reviewed when individual code managers are appointed.

On the prioritisation categories themselves, our view is that standard and high priority are satisfactory classifications to capture modifications that are not deemed urgent through the existing process. However, there is value in considering the addition of a low or administration classification, as having a categorisation

such as this would be helpful in determining the modifications which do not require urgent attention and can help industry organise resource more efficiently.

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.

We have no suggestions to Annex A): Proposed legal drafting of code modification prioritisation procedure. Please refer to our answer to Q8) and Q9) for factors that should be considered within the design and implementation of the interim process themselves.

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.

Please refer to our answer to Q9) above regarding recommendations to be considered for Annex B): Definitions to form future guidance on code modification prioritisation

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?

It is not clear within the current consultation the dates upon which this hybrid interim process is set to be implemented from, making it difficult to full comment on how the process can be integrated and for stakeholders to understand what and when their involvement will be.

Regarding if the proposed interim governance on prioritisation is to be applied to all live modifications, our view is that this should not be pursued, and that in fact that this should be a role for the code manager to conduct upon commencement of their role. The task of comparing all existing modifications against this new set of assessment criteria would be an extensive one, and one that will demand significant industry resource, especially from panels.

If Ofgem is minded to progress with this idea, then guarantees must be provided in the form of a detailed work plan that sets out the timelines for conducting such an exercise to let industry parties begin planning for the impact. Our view is that the new hybrid process should only apply to new modifications moving forward, as the resource intensity on industry would be more manageable, and it would allow for a trial period in advance of code manager appointment to integrate this new initiative into the code processes, whilst helping panels to familiarise themselves with what the future governance will look like.

COOPERATION WITH STANDARD LICENCE CONDITION

Q13) Do you agree with our proposed drafting of a new principles-based Standard Licence Condition (SLC), for cooperation with code modifications related to SDS, for all gas and electricity licences, included in Annex C?

No, we do not agree and consider this licence condition acts contrary to the statutory guidance on Ofgem's growth duty which sets out that regulatory interventions should be minimised.³ We refer to our long-standing position that the implementation of a licence condition that mandates parties to cooperate with the code manager in the development and delivery of code modifications related to the SDS should not proceed, and we would highlight that this duplicates information sharing requirements within existing codes (e.g., the STC). TOs, for example, are already seeing several proposed licence changes that will introduce new obligations to share information with NESO, in addition to the power NESO already have to request information. It is essential that Ofgem develops a coherent policy position on information sharing between the NESO, TOs and potentially code managers, to avoid the current inconsistent approach which is creating multiple different obligations with no consistency in drafting or governance and process. Cumulatively, this is potentially a significant increased regulatory burden on TOs. It is imperative that development of a coherent policy is a part of the objectives of the T3 licence drafting process in order to establish common provisions for data sharing.

Instead, Ofgem should focus on the development of a process which naturally encourages industry participation and creates a collaborative environment between code managers and code parties. The code manager should use SAFs and other engagement tools to gather feedback and views, as opposed to through the use of license condition enforcement. We also reiterate our previously shared position that we are concerned around how this compliance is planned to be enforced for non-licensed parties. The consultation refers to this, but does not provide any further detail on how this will be designed or on how this will be implemented.

We are also concerned that the proposed license condition does not elaborate on other factors relating to the code managers' ability to request information from code parties. For example, there is no detail as to how the code manager will determine which party will be selected to comply where there are multiple parties that have the information available which would help code managers. Ensuring that the code process is equitable and transparent is paramount to its success, we therefore urge Ofgem to provide guidance on what basis code managers will select parties to provide this information where there are multiple parties available to select from.

If the new obligation is required, this must be drafted appropriately and have the appropriate governance in place from the outset. For example, should the proposal include an additional and very broad requirement on licensees to furnish the code managers with any information they request, we would expect Ofgem to provide guidance which sets out the governance and process for the information exchange, with clear timescales, set the parameters for categories of data that might be requested and how any disputes will be managed. The licence condition must also make clear there is no requirement to provide information that

³ [Growth Duty: Statutory Guidance - Refresh | Department for Business & Trade | May 2024](#)

could result in licensees breaching existing licence conditions in relation to commercial confidentiality or would require licensees to provide commercially sensitive information.

As noted above, the drafting of this licence condition requires significant development. As currently drafted it does not appropriately set out or clearly address the potential complexity of what is proposed as part of the obligation. Work should be undertaken jointly with Ofgem/licensees/NESO to agree an information sharing framework, the associated Ofgem guidance and appropriate templates the code manager would use for requesting information.

In addition, we observe that there is no reference to the details upon which the reasonableness test for a code manager to have to consider is. We therefore recommend that the drafting of Annex C) includes explicit reference to the reasonableness test (which are subject to change following this consultation) on: nature of cooperation, timing, impact on code parties, volume, and other impacts, and also accounts for our feedback above that there must be guidance on how a code manager selects from multiple similar code parties that can provide the same information.

On disclosure of information to the code manager upon the impact on processes or systems, we require further clarity on the rationale for pursuing this is and how this would be implemented. Requiring parties to do so would involve intensive resource requirements from a code parties' perspective to assess and then share with the code manager the impact of every single modification proposed. We also note that there are similar initiatives within the existing process where code parties can be asked for information from code administrators, so it is imperative that duplication of duties as code parties does not exist in transitioning to the new governance process.

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

In line with our answer to Q9) above regarding prioritisation assessment criteria, we share the same sentiment that the reasonableness test provided does not include the level of detail required for industry and code parties to be satisfied. Our view is that the five criteria are satisfactory (nature of cooperation, timing, impact on code parties, volume, and other impacts), but that further detail which goes beyond the short information provided against each criteria is required in order to remove ambiguity and subjectivity of how an assessment of these would be implemented in real life. For example, the code manager should be able to demonstrate that the impact of not receiving the information would have a detrimental impact on the ability of the code modification to proceed as part of their assessment (i.e., a 'minimisation' criteria). This, as set out above, is consistent with the Growth Duty statutory guidance to minimise regulatory burdens. In this context, we would welcome the development of a guidance document which provides practical examples of how these criteria would be implemented and used by code managers in the future when conducting this function if Ofgem is minded to progress with this reasonable test.

We are also in favour of the accountability recommendations suggested within the consultation. These include that code managers should have a license condition to ensure that any assessment against reasonableness criteria is published, inclusive of all evidence and rationale. Further, we are supportive of the feedback from the Modification Process Workgroup (MPW) that code managers should also be accountable for providing evidence as to how the request for information has been used to inform future

decision making, which would help ensure that future iterations of this request can learn from to be more helpful in the future. Linked to this, we are supportive of the consideration applied to commercially sensitive information and encourage further development within this space to provide comfort to code parties.