
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.

Template part 1: Your organisation's details:

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Date of submission	26 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).	We are happy for all sections of our response to be made public.

PLEASE NOTE THAT THESE VIEWS ARE OF THE GREAT MAJORITY OF THE PANEL UNLESS OTHERWISE STATED

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, but have some concerns about the consequences

Comments:

1.	<u>Cross-Industry Perspective</u> We welcome the viewpoint of the SDS across the entire industry and the prioritising of the various strategic areas. It will give a very useful and relevant “steer” for all Code Bodies.
2.	<u>Focus likely to be on Act Now</u> The Panel are of the opinion that, although it was useful to see the longer term perspective, the actual outcome is likely to be a strong focus for Code Bodies on the “Act Now” category. Some Panel members were concerned that this might even detract from resources being devoted to longer term strategic aims. We are concerned, as well, that Code Bodies will want to create a semblance of action in the “Think & Plan” and “Wait & Listen” through industry seminars and workshops that aren’t particularly productive.
3.	<u>Dealing with “crises”</u> Code Bodies will still need the latitude to deal with events that require immediate action, like the large number of supplier failures and the implementation of customer subsidies during Covid.
4.	<u>More clarity on process to change priorities</u> Although this document clearly outlines the current priorities, it should also detail the processes by which priorities would be changed. Would this be annually in line with the publication of a new SDS, or is it envisaged that priorities could change in year, or be prompted by, for example, change of government? For example, this draft SDS itself precedes the adoption by the Government of the CP30 target, which must impact the relative 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.

- Agree, but have reservations about the actual time horizons being optimistic.

Comments:

1.	<u>Realistic Timescales</u> As a general comment, Panel members viewed the timescales as very optimistic given historical progress in many areas – the Parties, Ofgem and DESNZ all need to be able to deal with and engage on the many objectives. We expect the lack of suitable industry resources to cause significant constraints.
2.	<u>Some of the categorisations seem strange</u> The Panel has on many occasions in recent years expressed its concerns to Ofgem about the financial robustness of some parties. We don't believe the problem has disappeared, and would recommend that Financial resilience (Objective 3) should be Act Now, not Think & Plan. Similarly, Ensure high quality of service (Objective 2) has some Act Now aspects as well from a BSC point of view – good settlement performance relies on good metering performance, but there has been a general decline in industry expertise in recent years. This needs to be addressed more urgently. Further, as mentioned above, this draft SDS itself precedes the adoption by the Government of the CP30 target, which must impact the relative priorities.
3.	<u>Issue Groups probably fit into the Think & Plan</u> We view Issue Groups as a very effective way to develop industry thinking for the BSC, especially in terms of not needing the commitment of a full modification (although one might well develop following an issue having been identified and discussed) but also giving the opportunity to get a wide range of views. They would seem to fit well the process envisaged in the Think & Plan timescale and it would be helpful to mention them in the SDS.
4.	<u>Danger of over-planning and extra industry costs</u> We have some concerns that Code Bodies may feel compelled to take on unnecessary resources to show compliance with the SDS and increase industry costs. There is some risk that producing the SDS and responding to it turns into a cottage industry of planners that only serve their own aims, rather than delivering the strategic ambitions.

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, in one area

Comments:

1.	<u>Issues being addressed by P462 (The removal of subsidies from Bid Prices in the Balancing Mechanism)</u> While P462 would definitely belong in the Act Now category, it doesn't obviously fit any of the objectives. We'd suggest adding some sort of catch all category that deals with ironing out unforeseen and unexpected factors that perturb the market.
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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, but need to recognise that some of these objectives will have downsides too.

Comments:

1.	<p><u>Trade-offs behind the described outcomes should be acknowledged</u></p> <p>Behind the clear direction of many of the Objectives will be various trade-offs which are likely to rise to the surface once the Code Bodies start taking action and which may be used to resist the change, or shape it in a particular direction.</p> <p>For example, in Objective 2 (Ensure high-quality of service), having good, accurate settlement requires enforcement of supplier performance, e.g. meter reading – but it could be interpreted as creating market entry barriers, or adding to supplier costs.</p> <p>Explicit acknowledgement of the potential existence of such trade-offs in the SDS would give more confidence to Panels and their subcommittees (like the Performance Assurance Board (PAB) in their day to day operations.</p>
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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:

1.	<u>Mapping out of the SDS elements that fall to the BSC and considering a process</u> We would recommend that Elexon maps out all the SDS elements that fall into the BSC and includes an appropriate action plan to address them in its business plan. They should consider whether action is already being taken in those areas, and what that action might need to be, if there is none. Then consider what the next best step is, e.g. an issue group to work up what the possible solution is, or encouraging mod proposals to be made. Also, where relevant, liaise with other CMs/Panels.
2.	<u>Be realistic about the Listen & Wait and Think & Plan</u> We expect Panel members would continue to absorb general information from their industry activities for the Listen & Wait and Think & Plan category.
3.	<u>Encourage Elexon to engage and coordinate with other Codes</u> The Panel has historically been supportive of “enabling” modifications from other Codes, taking a broad interpretation of the BSC Applicable Objectives where necessary to achieve implementation. Given that these tend to be quite complicated, we would support Elexon in its engagement with the other Code Bodies. The Panel has suggested that Elexon uses its CACoP Chair position this year to explore how the CACoP could position itself to enhance cross-body coordination.

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 – there shouldn’t be any reason why this can’t precede CMs’ annual budget processes

Comments:

1.	<p><u>Early engagement</u></p> <p>We welcome this dummy run which helps set everyone’s expectations. The SDS should be published in a timescale that fits the CM budgetary processes – i.e. before October. (For its 2025/6 Business Plan Elexon began engaging parties in October 2024.)</p> <p>We would expect all Code Bodies to be able to use this “dummy” SDS to input into their 2026/7 Business Plans, regardless of its official status, and to understand where there are gaps in the current plan. However, it would help continuity if Ofgem were to publish the first “official” SDS before October 2025.</p>
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Question 7 - Do you have any other feedback?

Comments:

1.	<p><u>Weight of Industry vs CM-raised mods</u></p> <p>The Panel strongly believe that industry-raised Mods are more beneficial to the industry: they tend to be more timely, better based on real experience of a deficit, and likely to get better engagement across all parties.</p> <p>With this in mind, it would seem to be fitting that the major driving force behind Code Mods be industry, rather than the relevant Code Body.</p> <p>In P379 "Meter Splitting", the Panel saw how a seemingly simple modification, raised by Elexon, needed more and more refinement to be practical, and eventually it was rejected after a detailed Cost Benefit Analysis failed to show significant benefits.</p> <p>The Panel therefore believes that Code Managers should act more in a "sweeper" role to ensure that the aims of the SDS are achieved, rather than being in the vanguard. Code Bodies can help this by stimulating industry interest and starting Issue Groups, of course.</p> <p>Unless there is a common understanding of how the Code Bodies are going to operate, Code Bodies risk being caught in the middle. Ofgem can help provide clarity on this – and also on the proposed role of Stakeholder Advisory Forums, which is also relevant in this context.</p>
3.	<p><u>Ofgem roles</u></p> <p>There is scope for including Ofgem's remit and responsibilities alongside those of the Code Managers. For example, on parties' financial resilience, Ofgem should also address its remit and capabilities. It makes little sense for Code Bodies to increase their vigilance if they aren't supported by the Regulator.</p>
4.	<p><u>Innovation (Objective 14.2)</u></p> <p>There seems a lot of concern to improve innovation, but little consideration of the reasons behind the relative dearth of innovative ideas. Certainly the sandboxes haven't produced the expected flow of projects (at least in the BSC). Until the underlying reasons have been identified, there is little point in directing the Codes' approach.</p>

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 and welcome that the existing processes for Urgency, which already work well in the BSC, will be maintained. However, Panel members do have concerns about mods being continually sidestepped.

Comments:

1.	<p><u>General</u></p> <p>The BSC already has processes for prioritisation of Mods – Urgency is well used, and applied to “crisis situations”, e.g. supplier defaults. Urgent Panel meetings have usually had almost 100% attendance even with only one or two days’ notice.</p> <p>As a basic principle, Code Managers should be adequately resourced to process modifications. So, we do have some scepticism that assigning priorities in this fashion is helpful, and it may even deter parties from bringing forward useful modification proposals. Needing to produce a rationale for a Mod’s priority may result in minor mods that are nevertheless useful being lost. However, we support the general process.</p> <p>Most important is that modifications are robust, and that “prioritisation” does not become a proxy for “fast”. Complex mods require due consideration.</p>
2.	<p><u>Route of Appeal</u></p> <p>We have concerns that some Mods may be continually pushed to the back of the queue, even when the relevant Code Panel is taking an impartial view. Panel members have cited their experience with Grid Code Modification 0117 which has been continually de-prioritised, and it remains in process after more than seven years despite its importance.</p> <p>At very least there needs to be an appeal route, quite possibly beyond the Code Panel/SAF.</p>

3.	<p><u>Transparency</u></p> <p>We support the open registers of Modification priorities: this may well reduce the incidence of Mods being repeatedly deprioritised and reduce the need for an appeal mechanism. In the spirit of transparency we suggest that SAFs/Panels are required to publish minutes of prioritisation meetings and allow Party attendance at meetings to witness Panel deliberations at first hand.</p>
4.	<p><u>Cross-code issues</u></p> <p>There are likely to be situations where a high-priority modification requires enablement in other Codes. While the BSC Panel has always been receptive to this type of situation, there is some concern that any particular Code could be overwhelmed by Priority requests from other Codes.</p>

Question 9 – Do you agree with our proposed prioritisation criteria and prioritisation categories? If not, please specify what changes you suggest and why.

- Agree, but only exceptional cases should be given Priority

Comments:

1.	<p><u>Proportion of High Priority Cases</u></p> <p>Notwithstanding our general views on prioritisation, we agree with the criteria outlined.</p> <p>However, given our concerns about the natural tendency to raise all mods' priority status, several Panel members thought it would be helpful if there was a general understanding that the High Priority status is exceptional, and would therefore constitute a small proportion of Mod proposals. Others thought that it would be helpful to have mods highlighted in this way to deliver the government's strategic aims and were less concerned about stacking the high priority category.</p>
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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 – no comments

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 – looks okay

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:

1.	<u>Not needed for in-flight mods</u> We do not believe that assigning priority to in-flight modifications is worthwhile. Furthermore, it hardly seems fair to proposers that believe their Mod is in due process to suddenly find other mods are being prioritised ahead of it.
2.	<u>Robustness</u> It is worth reiterating the Panel’s general concern that raising a Modification’s priority to High should not in any way be used as a justification to cut corners. It is far more important that robust decisions are taken, even though that might come at the cost of extra time. Code Bodies should have the freedom to decide on the level of analysis, even where the Mod is seemingly a fait accompli situation, recognising previous policy analysis.

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?

- Agree, but have doubts whether it will change behaviour

Comments:

1.	<p><u>Wide range of engagement</u></p> <p>In recent years the BSC Panel would have rarely needed to resort to invoking such a condition, if at all.</p> <p>Historically, some Parties have been far more engaged in the Panel’s business than others, especially providing workgroup members. However, we have also seen a general decline in resource levels in many Parties and difficulties reaching quoracy have become more common, in working groups and even Panel sub-committees.</p> <p>Furthermore, smaller parties and new entrants simply don’t carry appropriate resources, so CMs will need to find other ways to engage them anyway.</p> <p>Finally, we increasingly need to take account of “those not in the room” in considering the future market environment – the Panel has often had to rely on individual members’ experience in this case. This clause wouldn’t address this.</p> <p>Overall, we believe that this condition might help set a positive and helpful tone between Code Bodies and Parties, but it is important to be realistic in the context of the business environment.</p>
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Question 14 – Do you agree with the proposed criteria the code manager should consider prior to issuing a request for cooperation?

- Agree

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?	Well written and easy to understand.
Were its conclusions balanced?	Yes, but in some areas it would be helpful to see the rationale behind various conclusions that recognises that there are compromises, e.g. speed vs robustness.
Did it make reasoned recommendations for improvement?	Yes
Any further comments?	This sort of nuanced document shouldn't be suggesting "overall" agree/disagree summary bullets. Surely they aren't appropriate when the aim of this consultation is to get useful and specific input.

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.