

Consultation

Energy code reform phase 1: transitional measures and code changes

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Energy code reform phase 1: transitional measures and code changes	1
Executive summary.....	4
1. Introduction.....	6
Context and related publications	8
Purpose of this consultation	9
Next steps	9
Consultation stages	10
How to respond	11
Your response, data, and confidentiality.....	11
How to track the progress of a consultation	11
2. Proposed changes to the BSC and REC.....	13
Code manager business in the phase 1 codes.....	13
Treatment of BSC panel responsibilities in the code	21
Performance incentives.....	23
BSC and REC board policy	34
REC and BSC budget appeals policy.....	37
3. Code manager licence terms, and bespoke and transitional licence arrangements for code managers of the Balancing and Settlement Code and Retail Energy Code	38
Revocation and termination terms of the code manager licence.....	38
Amendments to the standard licence conditions to address issues during the transition	40
Appendix 1 – Consultation questions	49
Appendix 2 - Glossary.....	51
Send us your feedback	52
Privacy policy.....	53
Personal data	53

Executive summary

Reforming the industry codes framework

The [Energy Act 2023](#) (the ‘Act’) sets out powers and duties that will aid the modernisation of the energy system and fundamentally change the way the sector is regulated. Among these measures is a package of significant reform to the governance of the industry codes, including new powers and responsibilities for Ofgem. The reforms are designed to facilitate the delivery of strategic priorities, improve the efficiency of the code change process so industry codes are agile and responsive to system change, and improve code user experience to encourage innovation and reduce regulatory burden.

This consultation marks an important step in translating the high-level design of the new governance framework into detailed licence and code modifications required for implementation. In this document, we set out proposals for certain changes to the phase 1 codes (Balancing and Settlement Code (BSC) and Retail Energy Code (REC)) to establish the new governance arrangements for licensed code managers. We are also seeking views on the proposed licence terms and amended licence conditions for the phase 1 code manager candidates.

In this consultation we focus on areas where there is new or substantive policy on which we are seeking stakeholder feedback before deciding whether to propose code or licence changes. By consulting on the underlying policy at this stage, we aim to support a smooth and orderly transition to the reformed code governance framework.

This publication does not include proposals on changes to codes or licences that are purely consequential or based on past decisions – such as the removal of obsolete text, alignment of code provisions with licence requirements, or deletion of code text where there is a contradiction between the two. The full set of necessary code and licence changes will be consulted on later this year using our statutory powers.

Proposed changes to the BSC and REC

We set out and seek views on proposed changes to the phase 1 codes that may be required to reflect the new code governance framework and the obligations that will apply to each code manager under their respective licences.

We discuss and seek views on our proposed approach to defining the scope of the licensed code manager business for each of the phase 1 code manager candidates. We set out proposals for how references to legacy governance arrangements – such as the BSC panel – should be addressed within the codes. We also set out our proposed policy approach in relation to introducing the code manager performance incentives into the codes, implementing the budget appeal requirements in line with the code manager

Consultation Energy code reform phase 1: transitional measures and code changes

[standard licence conditions \(SLCs\)](#),¹ and considering whether changes to existing code provisions are necessary to implement SLCs relating to independence and board policy.

Code manager licence terms, and bespoke and transitional licence arrangements for code managers of the Balancing and Settlement Code and Retail Energy Code

We discuss and seek views on proposals to introduce bespoke licence arrangements for the BSC and REC code managers, following the publication of the SLCs on 23 March 2026. We set out and seek views on proposed licence revocation terms as well as amended licence conditions for the phase 1 code manager candidates.

¹Throughout this document, where we refer to ‘code manager standard licence conditions’ and ‘SLCs’, we are referring to the code manager standard licence conditions published as part of the [‘Energy code reform: Code manager licence conditions and code modification appeals to the CMA’](#) response. These have not yet been determined by the Secretary of State under section 33 of the Utilities Act 2000.

1. Introduction

- 1.1 Energy code reform is modernising Great Britain’s energy regulation by replacing complex, outdated governance with a simpler, more agile and forward-looking framework. Many of the rules that govern the operation of the energy system sit within industry codes. These codes set the rules for a wide range of commercial and technical activities from how parties connect to the electricity and gas networks, to how consumers switch suppliers, to who can access consumption data.
- 1.2 These rules need to keep pace with the transformation happening within our energy system. But taken together, they form a complex and fragmented landscape that can slow innovation, limit competition and hold back investment. Many of the policy and market improvements designed to deliver consumer benefits depend on changes to the codes, but progress can be delayed by friction and competing interests within the current governance arrangements.
- 1.3 Energy code reform is a joint programme between Ofgem and government to address these issues and turn energy codes into an effective engine for wider system change. It replaces the current industry governance process for updating the codes with a new framework, as enabled by the [Energy Act 2023](#).
- 1.4 The reform supports [Ofgem’s Market Strategy and Vision](#), as part of the low cost transition. By empowering independent code managers, strengthening strategic direction and improving the change process, system change can be delivered quickly and with greater confidence. It is also designed to improve code users’ experience by reducing the number of processes industry must navigate and cutting down on friction, complexity and wasted effort. Consolidation and simplification of the codes will make it easier for market participants to understand the rules that apply to them, reduce compliance burden and remove barriers to entry and innovation.
- 1.5 The reform introduces several key improvements to the current framework, including Ofgem licensing new code managers who will be responsible for leading code modifications and decision-making and ensuring that the codes develop in line with Ofgem’s annual strategic direction statement (SDS). Industry expertise will remain at the heart of the framework, shaping and developing robust code change proposals and playing a vital role in the process through new stakeholder advisory forums.
- 1.6 To deliver the reform, Ofgem and government have been progressing several key activities including:
 - Ofgem publishing annual strategic direction statements, setting out a clear and ambitious direction for how industry codes must evolve to deliver strategic priorities that support consumer outcomes and the transition to net zero. We will publish our consultation on the [SDS-2 in April 2026](#)

Consultation Energy code reform phase 1: transitional measures and code changes

- Ofgem selecting code managers for each code – Ofgem issued a minded to grant notice for phase 1 code managers in August 2025² and recently published an [expression of interest](#) for phase 2 code managers
- Government, working with Ofgem, has been developing the new code manager licence and has published its [response to the consultation on the standard licence conditions](#)
- Ofgem needs to turn the high-level design of the new governance framework into detailed licence and code modifications to bring the new framework into effect.

1.7 Given the scale of the reforms, we will be delivering the new governance framework in three phases. Phase 1, covering the BSC and REC, is planned to go live from November 2026.

Figure 1: Overview of Energy Code Reform implementation phases



This is a timeline showing three phases for delivering the new governance framework. Phase 1 (2024 to 2026) includes the Balancing and Settlement Code (BSC) and the Retail Energy Code (REC). Phase 2 (2026 onwards) includes the Electricity Commercial Code and the Gas Network Code (GNC). Phase 3 (2027 onwards) includes the Electricity Technical Code (ETC) and the Smart Energy Code (SEC). Each phase appears as a labelled box along a single left to right timeline.

1.8 Our work on the code manager standard licence conditions and baseline code text will lay the foundation for all three phases of implementation. The baseline code text will establish a consistent approach to the code. Alongside this foundational work, we are preparing the specific licence conditions and consequential code and licence changes necessary to transition the phase 1 codes into the new framework. We are aiming to designate the phase 1 codes and appoint the phase 1 code managers by the end of 2026. To do this, we need to finalise the code manager licence and revised code text, as well as complete the appointment process for the code managers of the REC and the BSC.

²See [Elexon Limited: notice of proposal to grant a code manager licence | Ofgem](#) and [Retail Energy Code Company Limited: notice of proposal to grant a code manager licence | Ofgem](#)

Consultation Energy code reform phase 1: transitional measures and code changes

- 1.9 This document is the “modification proposal consultation” as previously signposted in our [second implementation consultation](#). It sets out the steps we need to take to be ready to transition to the new governance framework for the phase 1 codes.
- 1.10 This work sits alongside the development of the [template code text](#) for the new code modification process and set up of the stakeholder advisory forum (SAF) as published following our [second implementation decision](#). It also complements the recently published [standard licence conditions](#). Together, these elements are needed to ensure that we are ready to designate the phase 1 codes and grant the first code manager licences before the end of 2026.
- 1.11 In this publication we therefore:
- consult on our proposed approach to key changes needed to the BSC and REC code texts; and
 - consult on proposed licence revocation terms as well as amended licence conditions for the phase 1 code manager candidates.
- 1.12 In this consultation we set out areas where there is new or substantive policy on which we are seeking stakeholder feedback before deciding whether to propose changes. By consulting on the underlying policy at this stage, we aim to support a smooth and orderly transition to the reformed code governance framework.

Context and related publications

- 1.13 Below is a summary of consultations and decisions that have been published to date:
- [Energy code reform: Code manager licence conditions and code modification appeals to the CMA](#) (March 2026)
 - [Energy code reform: second implementation consultation](#) (March 2026)
 - [Energy code reform: guidance on code manager selection](#) (March 2026)
 - [Expression of interest invitation: code manager candidates | Ofgem](#) (January 2026)
 - [Energy code reform: competitive code manager selection](#) (December 2025)
 - [Establishing a harmonised prioritisation process in the industry codes: statutory consultation](#) (November 2025)
 - [Decision on the Preliminary Strategic Direction Statement and governance arrangements for industry codes](#) (August 2025)
 - [The Code Manager Selection \(Competitive\) Regulations 2025](#) (June 2025)
 - [Decision - Consultation on code manager selection](#) (May 2025)
 - [The Code Manager Selection Regulations 2024](#) (October 2024)
 - [Energy Code Reform: Government response to consultation on code manager licensing and secondary legislation](#) (October 2024)
 - [Implementation of energy code reform: decision](#) (August 2024)

Consultation Energy code reform phase 1: transitional measures and code changes

- [Energy Act 2023](#)
- [Call for Input: Energy Code Governance Reform](#) (December 2022)
- [Government response to the consultation on Energy Code Reform](#) (April 2022)

Purpose of this consultation

- 1.14 The purpose of this consultation is to set out the steps we need to take to be ready to transition to the new governance framework for the phase 1 codes, the BSC and the REC.
- 1.15 We consult on our proposed approach to key changes needed to the BSC and REC code texts and consult on proposed licence revocation terms as well as amended licence conditions for the phase 1 code manager candidates.
- 1.16 We intend to run a subsequent statutory consultation on these policy proposals. This consultation will help to inform our preparation for that subsequent consultation and to refine the proposed text relating to the code and licence changes.

Next steps

- 1.17 Over the coming months, Ofgem will take forward a series of activities to finalise and implement the new governance framework for the phase 1 codes. The milestones below summarise what stakeholders can expect next and when further engagement will take place.

Transition to the new framework

- 1.18 We currently plan to move to the new governance framework for the phase 1 codes on the same date, referred to as day 1. On day 1, the designation of the relevant codes by the Secretary of State and the grant of the code manager licence by the Authority³ would take effect. On the same day, all transitional code, licence and contract changes would also take effect. This includes the transitional arrangements that are proposed in chapter 3 of this consultation.
- 1.19 We are working closely with the code manager candidates to clearly define the process and steps needed to manage the transition to the new regime on day 1 in a robust and stable way for all code parties. Two priority areas that we are focusing on are the transition from the current code panels to the new SAF, and the handling of live modification proposals. The aim is to minimise disruption for code parties and ensure that essential processes continue uninterrupted.

³ References to the “Authority”, “Ofgem”, “we” and “our” are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work.

Consultation Energy code reform phase 1: transitional measures and code changes

Statutory consultation process

- 1.20 Following completion of this consultation and the consultation on the [proposed code text](#) for the code modification process and stakeholder advisory forum, we intend to publish the proposed code text for the BSC and REC, and any proposed modifications to relevant energy licences⁴, for consultation later in 2026 using our schedule 12 powers under the Energy Act 2023.
- 1.21 Separately, we will decide whether to consult on amended licence conditions for the phase 1 code managers, through a statutory consultation using our powers under section 8A of the Electricity Act 1989 and section 8 of the Gas Act 1986

Stakeholder engagement

- 1.22 We plan to hold a webinar in late spring 2026, following the publication of the phase 1 consultation, to support stakeholders' understanding of the proposed changes and help them prepare for implementation.

Phase 1: code manager selection

- 1.23 We will continue to run the implementation and assurance (I&A) process with the phase 1 code manager candidates. This includes monthly readiness checkpoints and a final readiness assessment prior to the licence grant decision.

Phase 2: code manager selection and consolidation

- 1.24 We recently launched the code manager selection process for the two phase 2 codes by publishing a call for [expressions of interest](#) which closed on 20 March 2026. Once this process concludes, we expect to publish a decision in Q2 2026 on both candidate eligibility and our determination on whether to undertake competitive versus non-competitive selection for these two codes. Successful candidate(s) would then be invited to enter the licensing assessment process, with licence grant proposals anticipated towards the end of 2026.
- 1.25 In the [second implementation decision](#) we issued a call for expressions of interest to join the code consolidation workgroup for phase 2, planned to be later this summer. That expression of interest closes on 17 April 2026 and details of how to join were included in that publication.

Consultation stages

Stage 1 Consultation open: 2 April 2026

Stage 2 Consultation closes (awaiting decision). Deadline for responses: 15 May 2026

⁴ For example, consequential amendments may be required to the standard conditions of gas or electricity supply licences, or to the Electricity System Operator licence conditions, to reflect the new framework under the phase 1 codes.

Consultation Energy code reform phase 1: transitional measures and code changes

Stage 3 Responses reviewed and published: Q3 2026 (indicative)

Stage 4 Consultation outcome (decision or policy statement): Q3 2026 (indicative)

How to respond

We want to hear from anyone interested in this consultation. Please send your response to the person or team named on the front page of this document.

We have asked for your feedback on each of the questions throughout. Please respond to each one as fully as you can.

We will publish non confidential responses on our website.

Your response, data, and confidentiality

You can ask us to keep your response, or parts of your response, confidential. We will 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 will contact 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 United Kingdom'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 will keep your response confidential, but we will publish the number, but not the names, of confidential responses we receive. We will not 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.

How to track the progress of a consultation

1. Find the web page for the call for input you would like to receive updates on.
2. Click 'Get emails about this page', enter your email address and click 'Submit'.
3. You will receive an email to notify you when it has changed status.

Consultation Energy code reform phase 1: transitional measures and code changes

A consultation has three stages: 'Open', 'Closed (awaiting decision)', and 'Closed (with decision)'.

2. Proposed changes to the BSC and REC

Section summary

We consult on our proposed approach to key changes needed to the BSC and REC code texts to implement licensed code manager governance, covering the scope of code manager business, the removal of legacy governance arrangements, and proposals relating to board level governance and performance metrics. We also propose changes to the BSC and REC code text to enable effective implementation of the budget appeals requirements set out in the code manager standard licence conditions.

- 2.1 We need to make changes to the BSC and the REC in order to be ready to designate these codes and grant the first code manager licences. We propose to do this using the transitional powers under schedule 12 to the [Energy Act 2023](#).
- 2.2 This section of the consultation sets out our proposed approach to key changes needed to the phase 1 codes on which we have not previously sought stakeholder input. It includes our approach to defining the licensed ‘code manager business’⁵ for the phase 1 codes, the treatment of BSC panel responsibilities, and other governance requirements such as board requirements. This section also includes our proposals for introducing performance metrics into the codes, and changes to the codes to enable the effective implementation of the budget appeals SLC. Feedback on these proposals will help shape the potential approach, content and drafting of any code modifications that may be proposed.

Code manager business in the phase 1 codes

- 2.3 The [Energy Act 2023](#) introduced code manager functions as a licensable activity, in accordance with restrictions set out in the prohibition on licensed activities provided for in section 4 of the [Electricity Act 1989](#), and section 5 of the [Gas Act 1986](#).
- 2.4 In our [2025 joint consultation with the Department for Energy Security and Net Zero](#) (DESNZ), we described the core features of the code manager role as follows:

⁵ See standard condition 1:Definitions in the [code manager Standard Licence Conditions](#)

Figure 2: High level summary of the main features of the code manager role

Make decisions under the codes	Administer code governance arrangements	Align the code with Ofgem's strategic direction
<p>Prioritise modifications, decide whether to approve certain code changes and make recommendations to Ofgem on whether to approve others.</p> <p>Other decisions may include those not directly related to code modifications, such as on (depending on the code) accession, performance assurance, novating party IDs, etc.</p>	<p>Provide code administration and secretariat services to, amongst other things, facilitate the code modification procedures and provide assistance to code parties and stakeholders (including consumer advocates) relating to the code.</p>	<p>Prepare delivery plans setting out how they will ensure their respective codes develop in line with the SDS set by Ofgem.</p> <p>Code managers will have an objective to facilitate the delivery of the strategic direction statement.</p> <p>Identify and develop relevant code changes through proposing code modifications.</p>

2.5 These core features are reflected in the code manager standard licence conditions (SLCs) which we published in a [2025 joint response with DESNZ](#). The obligations which the SLCs place on the code manager will be supplemented by further requirements set out in the codes themselves.

Restriction on activities and investments

2.6 Standard condition 17 (Restriction on Activities and Investments) restricts a code manager from undertaking activities other than those required to fulfil its licensed role, as described in the code. This safeguard ensures the code manager prioritises the delivery of its licensed functions and avoids activities or investments that could undermine its independence.

2.7 We recognised in our 2024 [joint government response on code manager licensing](#) that where an existing body is selected as a code manager, its pre-existing roles or wider business interests may not automatically create an unmanageable conflict of interest. The licence therefore provides that, where the Authority has given its consent to an exception to the relevant licence condition, a code manager may continue to carry out certain additional activities. Such exceptions may also be relevant where a code manager is already in place, and it is considered that it would be appropriate for it to take on an additional role beyond the performance of code manager functions.

Consultation Energy code reform phase 1: transitional measures and code changes

- 2.8 The code manager licence therefore distinguishes between the licensed activities and other activities undertaken by the licensee as follows:
- code manager business: the business carried out by the Licensee in performance of the activity authorised by the terms of its Licence
 - permitted business: any business or activity carried out by the Licensee that is not the code manager business and in relation to which the Licensee has obtained the prior written consent of the Authority under Part A of standard condition 17 (Restriction on Activity and Investment)
- 2.9 Activities that fall within the scope of code manager business are subject to the requirements set out in the licence, including requirements relating to budget setting and appeals processes, performance requirements and the code manager objectives.
- 2.10 When participating in our selection process, a code manager candidate must provide information on any licence conditions with which it is unable to comply, or in respect of which it may require an exception or amendment. This includes standard condition 17 (Restriction on Activities and Investments), where the candidate may require consent to undertake additional activities. The information provided informs our assessment of potential conflicts of interest and our decision on whether to propose to grant the candidate a code manager licence.
- 2.11 We do not propose to define permitted business activities within the code manager licence itself. Our view is that specifying permitted business in the licence could create unnecessary rigidity, particularly where licence modifications would otherwise be required each time an activity changes or a new activity is added. Instead, we propose to consent to permitted business at the point of licence grant. Where a code manager seeks to take on a new role after a licence has been granted, and we agree to this, we propose to provide consent through a separate letter of consent.

Determining the scope of code manager business vs permitted business

- 2.12 Where a code manager candidate undertakes activities that do not clearly fall within the core roles set out in the table above and provided for by the SLCs, we must determine whether these activities should be included within the scope of its licensed code manager business, consented to as permitted business, or not consented to.
- 2.13 We propose to adopt a case-by-case approach to determining this, based on the circumstances of each candidate and the nature of their activities. In some instances, it may be beneficial to include certain or all additional activities within the scope of code manager business. For example, this may be appropriate where an activity does not align neatly with the core roles set out in the table above but nonetheless supports code governance or cannot readily be distinguished from wider governance arrangements. In such cases, the activity may fall within the

Consultation Energy code reform phase 1: transitional measures and code changes

legislative definition of a code manager as a person “making arrangements” for the governance of the code. This flexibility avoids a rigid definition of code manager business that could exclude certain activities and adversely affect existing roles or the code manager’s budgetary or performance arrangements.

2.14 However, in some cases it may be more appropriate to exclude some or all additional activities from the scope of code manager business. This may be the case where inclusion would cause disruption to industry or where the activity is not sufficiently related to code governance.

2.15 In developing our approach to defining the scope of code manager business for the phase 1 codes, we have considered several factors, including whether:

- the activity supports the governance of the code and fits within the legislative definition of a code manager
- the governance of the activity sits within or outside the code
- the activity is relevant to the code and its parties
- the cost recovery basis of the activity is compatible with the cost recovery requirements of the code manager licence
- regulation through the licence is appropriate, or whether alternative regulatory tools would be more suitable (including for budgetary or performance oversight)
- inclusion of the activity within the licence would cause disruption to industry or consumers

2.16 The following sections set out our proposals for defining the code manager business for the phase 1 code managers. Our final decision on the scope of the code manager business will inform our approach to making any consequential changes to the BSC and REC to ensure that activities undertaken by the licensee in its role as code manager are appropriately reflected in the relevant code provisions.

Balancing and Settlement Code

2.17 In August 2025, we [proposed to grant a code manager licence](#) to Elexon Limited for the BSC, following our assessment of Elexon against our licensing assessment criteria. Based on that assessment, and subsequent discussions with Elexon, we have identified certain roles and responsibilities currently allocated to it as BSCCo⁶ under the code that do not fall within the core code manager responsibilities set out in the section above.

2.18 The table below sets out the responsibilities we propose to include within code manager business, alongside those activities we propose to consent to as permitted business (or which would remain responsibilities of Elexon outside its

⁶ BSCCo means Elexon Limited (or any successor to that company acting in the capacity as BSCCo) [BSCCo - Elexon BSC](#). In this document we may use Elexon and BSCCo interchangeably.

Consultation Energy code reform phase 1: transitional measures and code changes

role as code manager). Our proposed approach reflects the considerations set out in the previous section. We propose to make consequential changes to the BSC to reflect this allocation, which may require the code to differentiate between BSCCo generally and BSCCo acting in its capacity as a licensed code manager.

2.19 Under these proposals, by default Elexon would be accountable to Ofgem for the delivery of the activities included within code manager business, and those activities would be subject to the requirements of the code manager SLCs. This includes, for example, performance requirements and budgetary processes, including consultation with the stakeholder advisory forum and access to budget appeal routes where the relevant licence criteria are met.

Figure 3: Proposed allocation of BSCCo roles under the Balancing and Settlement Code

BSCCo responsibility	Proposed position
Market Facilitator for Distributed Flexibility	Permitted Business (out of scope of the licensed code manager activity)
CMAG Secretariat	Permitted Business (out of scope of the licensed code manager activity)
Energy Intensive Industries payment administrator/ levy administrator	Permitted Business (out of scope of the licensed code manager activity)
Implementation Manager for Market Half Hourly Settlement	Permitted Business (out of scope of the licensed code manager activity)
Data Integration Platform Manager	Permitted Business (out of scope of the licensed code manager activity)
Code administration and secretariat services	Code Manager Business
Operation of, or procuring the operation of, the central system comprising the BSC Systems (as defined in section X-1 of the BSC)	Code Manager Business
Smart Secure Electricity Systems (SSES) Governance	Code Manager Business

2.20 In addition to the matters set out above, the BSC contains existing provisions relating to cross-subsidisation involving 'Permitted Affiliates'. Section C3.4.6

Consultation Energy code reform phase 1: transitional measures and code changes

includes a general prohibition on cross subsidies to or from permitted affiliates, except where expressly permitted under the code. Permitted affiliates are affiliates that Elexon may establish to perform functions that do not relate to the BSC. The only current permitted affiliate is EMR Settlement Limited.

- 2.21 Elexon was appointed by the government in 2014 to provide settlement services for Contracts for Difference and the Capacity Market. EMR Settlement Limited was subsequently established by Elexon as a subsidiary in order to create a funding and liability ring fence between Elexon's role under the BSC and its EMR settlement activities.
- 2.22 As EMR Settlement Limited is a permitted affiliate and a subsidiary of BSCCo, and its activities are not responsibilities of BSCCo set out in the code, we do not propose to list EMR Settlement Limited as permitted business. However, we are minded to consent to Elexon holding shares as the primary shareholder in EMR Settlement Ltd, meaning this would not give rise to a breach of SLC 17, subject to the outcome of our code manager selection process.

Elexon's central system delivery roles

- 2.23 The Secretary of State has indicated in a [designation notice](#) that they intend to designate, for the purposes of schedule 12 of the Energy Act 2023, Elexon Limited as the person responsible for operating, or procuring the operation of, a designated central system (a central system delivery body or 'CSDB'). In 2021, we [consulted](#) jointly with government on the design and delivery of code reform, and subsequently published a joint government response setting out the governance framework. In that response we decided not to license CSDBs, recognising that systems delivery and code governance are distinct functions and may be undertaken by different bodies. Instead, government and Ofgem decided to introduce a legislative power allowing Ofgem to direct central system delivery bodies, where necessary, to ensure that they meet their obligations under a code or support the efficient ongoing operation of the codes.
- 2.24 We do not propose at this stage to revisit our earlier decision not to introduce a licensing regime for all CSDBs. However, we propose that, in this instance, Elexon's CSDB functions should be included within the scope of its code manager business for the purposes of the code manager licence, thereby making Elexon accountable to Ofgem for the delivery of those services through the licence framework.
- 2.25 We have identified several benefits to this approach. Elexon's systems responsibilities are closely integrated with its existing role as code administrator, enabling it to adopt a "whole of system" approach to the management and operation of the BSC. This includes activities which are relevant to code governance, such as collecting and comparing forecast vs actual energy consumption data and calculating imbalance payments to support compliance by code parties. Integrating the regulation of code governance and systems may

Consultation Energy code reform phase 1: transitional measures and code changes

improve alignment between the coordination of code change requirements and systems implementation, generating efficiencies in the planning and delivery of the SDS. We also consider that this approach increases transparency around Elexon's delivery of those systems – whether directly or through third party providers – and avoids a two-track regulatory approach under which the governance of the BSC is regulated separately from the systems that support its operation. Finally, we believe that excluding systems operation from the code manager business could be disruptive to the end-to-end service that Elexon currently provides as both a code administrator and CSDB.

- 2.26 We acknowledge past stakeholder feedback that there may be a potential for conflicts of interest between code manager decision making and its systems delivery, as well as risks of inefficiencies arising from over-regulation of systems functions. We consider that these risks can be appropriately mitigated through licence restrictions on self-preferential behaviour, alongside requirements to ensure that code manager budgets are efficient and subject to stakeholder oversight. While we recognise that performance expectations for code management and systems delivery may differ, we consider that the proposed requirement to regularly review code manager performance measures provides a mechanism to introduce distinct performance indicators for systems operation, where appropriate, through the modification process.
- 2.27 We consider that this proposed approach is appropriate in the specific case of Elexon. For other code manager candidates, we propose to consider the scope of code manager business on a case-by-case basis but will consider a similar range of factors.

Smart Secure Electricity Systems Governance

- 2.28 DESNZ has recently published its [decision](#) to modify the BSC to enable Elexon to deliver the Smart Secure Electricity Systems (SSES) programme enduring governance role (implemented on 5 December 2025). This role will involve establishing governance groups to exercise oversight of technical and security standards for energy smart appliances and load controllers. These governance groups will operate as subcommittees of, and report to, the BSC panel. Elexon was selected due to the strong synergies between its existing responsibilities under the BSC and the SSES enduring governance functions, the alignment of the SSES governance role with certain BSC objectives, and the fact that BSC parties are the primary beneficiaries of the programme.
- 2.29 The documents defining the detailed functions, membership and change processes for these groups, and any documents they manage, will be code subsidiary documents (CSDs) as defined in section H1.2.4 of the BSC, or otherwise be bespoke documents given legal effect under the BSC. These documents are currently under development.

Consultation Energy code reform phase 1: transitional measures and code changes

- 2.30 In applying our considerations to the SSES enduring governance role, we have identified potential benefits to including this role within the scope of code manager business. As identified by government, there are significant synergies between the SSES programme's objectives and the governance of the BSC. Furthermore, where the documents governing the SSES framework are established as subsidiary documents to the BSC, Elexon's responsibilities would fall within the statutory definitions of code governance set out in the Electricity Act 1989 and Gas Act 1986.
- 2.31 Including the SSES enduring governance role within the scope of code manager business would mean that, if granted a code manager licence, Elexon would be directly accountable to Ofgem for delivery of this role. It would also ensure that the budgetary processes and performance requirements set out in the SLCs appropriately cover Elexon's responsibilities in relation to SSES governance.
- 2.32 This proposal will not affect the ongoing development of documents setting out the terms of reference and governance arrangements for the SSES Technical and Security Governance Groups, and these documents will continue to underpin the SSES framework. However, we envisage that, once the BSC panel is disbanded, delegated Authority for these groups would transfer to the code manager. This would be consistent with our proposals for other panel sub-committees, as set out in our [second implementation decision](#).
- 2.33 We note that while the SSES programme is currently funded through the BSC cost recovery mechanism, government has committed to consider potential changes to these arrangements in the future to reflect a broader group of beneficiaries, including parties that are not BSC signatories, such as load control licensees. We do not consider that such changes would conflict with the cost recovery requirements of the code manager licence.

Retail Energy Code

- 2.34 In August 2025, we [proposed to grant a code manager licence](#) to the Retail Energy Code Company Ltd (RECCo), following our assessment of RECCo against our licensing assessment criteria. Based on that assessment, and subsequent discussions with RECCo, we have identified a number of roles and responsibilities currently allocated to it under the Retail Energy Code (REC) that do not fall within the core code manager responsibilities set out in the section above. These are:
- the Electricity Enquiry Service
 - the Gas Enquiry Service
 - the Centralised Registration Service (CRS) including Central Switching Service (CSS)
 - the REC Secure Data Exchange Portal (SDEP)
 - Energy Theft Reduction
 - Green Deal Arrangements

Consultation Energy code reform phase 1: transitional measures and code changes

- 2.35 We have considered each of these roles and consider that all these responsibilities support the governance of the REC and fall within the legislative definition of “making arrangements for the governance of the code”. We therefore propose that all these activities should form part of the code manager business under the licence. Accordingly, if we grant the code manager licence to RECCo, we do not consider it necessary to consent to any additional activities as permitted business outside of the scope of the licensed role.
- 2.36 We propose to develop the necessary changes to the REC to reflect this. We also propose that the code should allow for circumstances in which RECCo may take on new responsibilities in the future that do not fall within the scope of the licence. This may require the code to distinguish between RECCo generally and RECCo acting in its capacity as a licensed code manager.

Questions

- Q1. Do you agree with our proposed approach to defining the scope of the licensed code manager business for phase 1 codes, including the use of a case-by-case assessment of activities that do not clearly fall within the core code manager role?
- Q2. Do you agree with our proposed classification of activities as code manager business or permitted business for the phase 1 code managers, as set out for the Balancing and Settlement Code and the Retail Energy Code?

Treatment of BSC panel responsibilities in the code

- 2.37 The BSC is currently governed by the BSC panel, whose role includes but is not limited to reviewing and voting on code modifications and ensuring code party compliance. The main functions of BSCCo, as the code administrator, is to provide resources, services, advice and information to the panel to support them in making decisions.
- 2.38 Energy code reform introduces licensed code managers, who will be responsible for the administration and governance of designated industry codes. We expect that BSCCo, as a licensed code manager, will perform the roles currently played by the BSC panel in governing the code, as well as continuing to be responsible for administering the code.
- 2.39 We have considered changes needed to the BSC to reflect the removal of the panel and code administrator role, and the introduction of the new code manager role. We have identified several existing arrangements in the BSC where the panel is responsible for making a decision. We propose that under future code governance arrangements, the code manager would be responsible for making these decisions, but for certain decisions, it would need to consult the SAF and take into consideration their views.
- 2.40 Our proposed approach in this section does not extend to any decision-making responsibilities that the panel may have delegated to subcommittees. As set out

Consultation Energy code reform phase 1: transitional measures and code changes

in the [second decision on the implementation of energy code reform](#), we intend to review such arrangements on a case-by-case basis and will set out our proposals in a future consultation.

- 2.41 In our [second implementation consultation](#), we proposed that SAFs would capture a range of stakeholder views and their role would go beyond the modification process, including providing support and advice to the code manager on some non-modification business. We also set out our intention that code managers should be able to establish SAFs that have sufficient expertise to provide them with advice, support and assistance for carrying out its role. These proposals are captured in the [proposed SAF code text](#) published alongside our [second decision on the implementation of energy code reform](#). With this in mind, we consider the SAF would be well placed to provide advice to the code manager on topics beyond modification business.
- 2.42 We also propose that where an existing BSC panel decision would no longer be applicable under future arrangements, for example, where the role no longer exists, relevant code provisions will be removed.⁷
- 2.43 We describe in more detail below where we consider code managers could make current panel decisions independently and where they may need to work collaboratively with the SAF as part of the decision-making process.

Independent code manager decision making

- 2.44 Where an existing panel decision would clearly fall within the code manager's role of governing and administering the code, we propose that BSCCo, acting in its capacity as the licensed code manager, would be able to make the decision independent of any input from the SAF.
- 2.45 An example of an existing BSC panel decision that would fall within the code manager's remit of administering the code is section A, 2.5.1, where the panel sets the application fee for parties to join the framework agreement. We consider this task would not require specific expertise outside of the code manager's normal role, making it appropriate for the code manager to carry out the task without having to seek the input of the SAF.

Collaborative code manager and SAF decision making

- 2.46 Where the BSC panel currently makes decisions in collaboration with another body, for example with BSCCo, acting as code administrator, we propose that the code manager would need to consult with the SAF and take into consideration their views before making a final decision. We consider this would ensure that more complex decisions continue to benefit from the input of multiple

⁷ An example would be under Section B, 1.1.3: Establishment and composition, where the panel approves BSCCo's choice of panel chair. This is part of a process that will not be required under the future arrangements that will not include a code panel.

Consultation Energy code reform phase 1: transitional measures and code changes

perspectives, while also empowering the code manager, in line with the policy intent of energy code reform.

- 2.47 An example of where the BSC panel currently makes a decision in collaboration with BSCCo, as the code administrator, is section A, 2.6.1, under which BSCCo shall withdraw a party that is not trading, unless the panel otherwise agrees. We consider that the loss of the panel's oversight of BSCCo's decision could result in important considerations being missed. Instead, we consider the benefits of collaborative decision making could be retained by requiring them to seek and take into consideration the views on the SAF prior to making a decision. The SAF could provide a broader range of views, which could help to ensure the code manager's decision is proportionate and reasonable.
- 2.48 Where the BSC panel currently acts as an appeal route for a BSCCo decision made in its role as code administrator, we propose that under future arrangements, BSCCo, acting in its capacity as the licensed code manager, would be responsible for making the decision. In doing so, they would be required to consider the SAF's views and clearly justify any deviation from the SAF's advice in its final decision. We consider that this approach would help to ensure that the code manager's decision is transparent, well-reasoned and proportionate as the SAF could provide a broader range of views which the code manager would need to take into account as part of its decision making.
- 2.49 An example of where this approach may be appropriate is Section A, 3.3.3, where disputes between a party and BSCCo, as code administrator, about validating participation capacities are referred to the panel. We consider it may not be appropriate for BSCCo, acting in its capacity as the licensed code manager, to mediate its own disputes independent of any external advice. Requiring them to seek the views of the SAF and clearly explain the reasons for any deviation from their advice would help to ensure transparency and clear reasoning in their decision making.

Questions

- Q3. Do you agree with our proposed approach for who should be responsible for making decisions currently made by the BSC panel?
- Q4. Are there any existing decisions that are taken by the BSC panel where our proposed approach would not be appropriate?

Performance incentives

Overview

- 2.50 The following section sets out our proposals for incorporating the code manager performance framework into the BSC and REC.

Consultation Energy code reform phase 1: transitional measures and code changes

2.51 The new code manager role will be central to the effectiveness of the new governance framework. Code managers will take on new responsibilities, including enhanced decision-making functions. The quality and consistency of code managers' performance of these functions will be critical to delivering the intended outcomes of energy code reform. These intended outcomes include:

- **the timely delivery of strategic priorities**, where code managers produce and implement delivery plans, prioritising and progressing changes that support Ofgem's strategic direction statement
- **codes becoming more agile and responsive to rapid system change**, where code managers effectively prioritise and assess modifications, making clear, well-evidenced recommendations, as well as enabling more effective cross-code coordination
- **codes becoming more accessible and easier to navigate**, where code managers help market participants understand and comply with the rules that apply to them and reduce regulatory friction, including through digitalising the code

2.52 It is therefore important that an ambitious, delivery-focused and transparent code manager performance framework is implemented.

2.53 The SLCs require the relevant code to include code manager performance metrics. They also require the code manager to monitor and report on its performance and perform to at least a 'minimum acceptable' level.⁸ The SLCs also include a requirement for stakeholder engagement and input into the assessment of code manager performance.

2.54 We anticipate that the performance framework consulted on below will be applied to subsequent code managers, while allowing for some variation should it be required.

2.55 Section 4 of this consultation sets out our proposed transitional arrangements, including our preferred approach for implementing the framework.

RECCo and Elexon commission

2.56 In June 2025, we commissioned RECCo and Elexon to develop an initial draft code manager performance framework, drawing on their experience and expertise as existing code administrators. We sought further input from other code administrators and code parties through a stakeholder workgroup in September 2025. We refined the framework following this workshop and are now seeking views on the updated proposals.

⁸ The code manager licence requires that 'minimum acceptable performance' is determined by holistically considering feedback on the code manager performance from relevant stakeholders and Ofgem, as well as their performance against the metrics set out in the relevant code.

Consultation Energy code reform phase 1: transitional measures and code changes

2.57 In commissioning the work, we requested that the performance indicators should:

- assess three main aspects of the code manager role:
 - decisions and recommendations under codes and licence
 - administering code governance arrangements
 - aligning code with Ofgem’s strategic direction
- consider key outputs, including:
 - modification decisions and recommendations
 - governance activities (meetings, consultations, communications)
 - strategic alignment (delivery plans and progress reporting)
- reflect the proposed code manager objectives from the [2025 joint consultation](#), including:
 - implement the code promptly, fairly, and efficiently
 - facilitating cross-code coordination
 - operate transparently and promote positive consumer outcomes
 - support innovation and strategic direction
- consider benchmarking and comparability across code managers
- include stakeholder feedback as part of the assessment
- include ambitious yet achievable metrics

2.58 We thank RECCo and Elexon for their work and support. Our proposals in this section are based on their submission, noting that we have, in some areas, proposed additional metrics or refined the wording of their suggested indicators. The proposals also reflect the feedback gathered through the stakeholder workshop.

Stakeholder workgroup and feedback

2.59 On 23 September 2025, Ofgem (supported by Elexon and RECCo) hosted a stakeholder workgroup to discuss the proposed draft performance framework and metrics.

2.60 We received helpful and constructive feedback at the session and are grateful to all participants for their contributions. The feedback on specific performance metrics and on approaches to stakeholder surveying has been considered in shaping the consultation proposals below.

General suggestions

2.61 Below, we address several general suggestions raised during the workgroup.

2.62 Some participants suggested that the code manager’s role in conducting performance assurance of code parties should be reflected in the performance framework. We propose that the metric (described later in this section) relating to the management of the SAF and workgroups (such as around accurate minute taking) could also apply to management of the Performance Assurance Board (PAB), where a code has performance assurance arrangements. We note that

Consultation Energy code reform phase 1: transitional measures and code changes

currently not all codes have performance assurance frameworks, so we do not consider it appropriate to introduce standalone metrics on performance assurance. We note, however, that in our [decision on the second implementation consultation](#) we said we would consider whether performance assurance arrangements should be extended to the codes that do not currently have them.

- 2.63 Some participants asked whether there would be external assessment of code manager budgets. We recognise the importance of ensuring that code manager budgets are efficient and provide value for money but consider existing safeguards to be sufficient. For this reason, we are not proposing to introduce this as an explicit requirement. Existing protections include the budget appeal process, code manager objectives on being economic, efficient and transparent, alongside oversight and the scrutiny applied by both stakeholders and Ofgem throughout the budget setting process.
- 2.64 A few stakeholders asked whether metrics would be weighted. While we recognise that some metrics may appear more central than others, we do not propose to introduce weighted metrics. In our view, weighting would add little value to the framework and would be difficult to apply in practice, because code manager performance metrics are not directly linked to financial incentives or penalties. If they were, performing well, or less well, against a central metric could be tied to higher or lower financial rewards. In this context, where there is no direct link between performance and financial rewards, distinguishing between “central” and “non-central” metrics would not meaningfully enhance the framework.

Proposed overarching framework

- 2.65 Below, we set out the proposal for the overarching structure of the performance framework. This structure is largely based on the model developed by RECCo and Elexon, within the parameters established in our commission. We note that stakeholders at the workshop broadly supported this overarching approach. The following sections explain the framework and our reasoning for adopting it.
- 2.66 We propose that the framework is underpinned by three ‘performance measurement areas’, which together capture the core elements of the code manager role and the objectives of the reform.

Performance area 1. Code management: transparent, effective and collaborative management of the code

- 2.67 Effective code management is essential to delivering the reform objectives of making codes more agile and responsive to sector change and making them more accessible and easier to use. Timely and well-evidenced assessments of modification proposals, effective prioritisation decisions and transparent engagement with stakeholders can help ensure that codes can adapt quickly to changing system needs and help code users understand and comply with the

Consultation Energy code reform phase 1: transitional measures and code changes

rules that apply to them. It links to the code manager objectives on full and prompt implementation of the code, cross-code collaboration, as well as facilitating innovation and promoting positive outcomes for consumers.

Performance area 2. Delivery plan and implementation: producing a clear, understandable and ambitious yet achievable delivery plan, which is implemented in a timely and effective way

2.68 Developing and delivering a comprehensive delivery plan is central to achieving the timely delivery of strategic priorities, a core code manager objective. A well designed and well executed delivery plan can ensure that modifications aligned with the SDS progress at the pace required to support system transformation, while providing the sector with a clear shared understanding of priorities for change and delivery. It is also linked to the code manager objectives of facilitating innovation and positive outcomes for consumers.

Performance area 3. Financial management: efficient, cost reflective and transparent budgeting and cost recovery

2.69 Strong financial management underpins the effective operation of the new governance framework. Efficient, transparent and cost reflective budgeting supports accountability and the deployment of resources in a way that enables timely, high-quality delivery of strategic priorities and responsiveness to a changing system. It relates to the code manager objectives on implementing the relevant code as economically and efficiently as possible, as well as to conducting its business transparently. Cost-reflective and transparent cost recovery also enables the code manager objective on conducting the code manager business without discrimination between parties.

2.70 We consider that performing well against these three areas is central to success of the code manager role. We therefore propose that the remainder of the framework, including key performance indicators (KPIs) and performance metrics, has a clear link back to these areas.

2.71 We propose seven KPIs. The related performance measurement area is set out in brackets:

- code management (code management)
- change management (code management)
- code accessibility (code management)
- cross-code coordination (code management)
- delivery plan compliance (delivery plan and implementation)
- budgeting and cost transparency (financial management)
- stakeholder engagement (relates to all three of them)

2.72 The KPIs will be measured through a range of sources, including performance against the performance metrics and compliance with relevant licence

Consultation Energy code reform phase 1: transitional measures and code changes

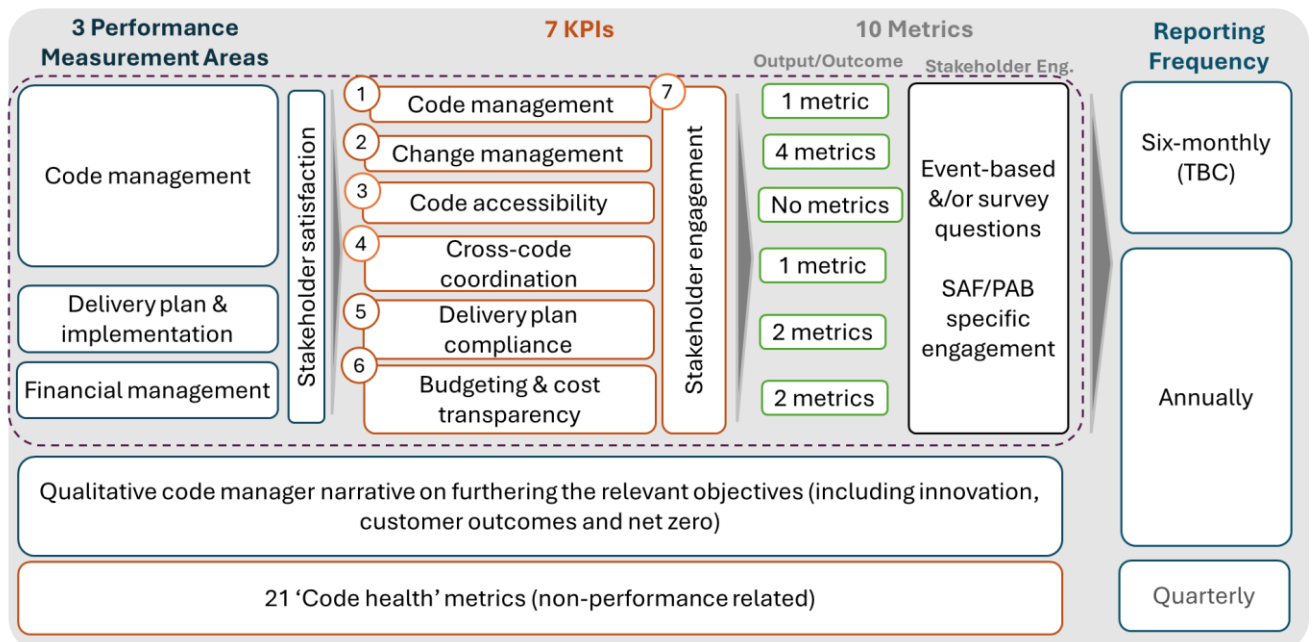
obligations. KPI assessments may also be supported by narrative in the performance report, providing detail and context on performance against the metrics and KPIs, and capturing any additional activities that have contributed to delivery against the KPIs. For example, the first performance measurement area ‘code management’ comprises four different KPIs, ‘code management’, ‘change management’, ‘code accessibility’ and ‘cross-code coordination’.

2.73 Each KPI will be measured through an appropriate combination of performance metrics, non-performance related metrics, licence obligations, narrative and relevant stakeholder survey questions. An example of this is ‘change management’, which will be assessed through four performance metrics, related stakeholder survey questions and licence obligations, particularly those relating to the code modification process.

2.74 In addition to the performance metrics, we propose that the framework includes a set of non-performance related metrics, also called ‘code health’ metrics. These will not form part of the formal performance assessment of the code manager but will provide important visibility of the overall health and functioning of the code more generally. Stakeholder engagement and surveying will also be integral to the framework, contributing evidence on the code managers’ performance. These elements are described further in the next part of this section.

Figure 4: Overview of the proposed performance framework (based on submission by RECCo and Elexon)

KPI and metric reporting framework



This diagram shows the KPI and metric reporting framework used to assess code manager performance. Performance is grouped into three performance measurement areas: code management, delivery plan and implementation, and financial

Consultation Energy code reform phase 1: transitional measures and code changes

management. Across these areas, seven key performance indicators are used: code management, change management, code accessibility, cross-code coordination, delivery plan compliance, budgeting and cost transparency, and stakeholder engagement, which applies across all areas. These KPIs are supported by ten quantitative performance metrics, alongside evidence from stakeholder engagement such as event-based feedback, surveys, and SAF and PAB engagement. Performance assessment is supplemented by a qualitative narrative on delivery of objectives, including innovation, customer outcomes and net zero, and by a separate set of 21 non-performance “code health” metrics. Reporting takes place on a quarterly, annual, and six-monthly bases.

Proposed performance-related metrics

2.75 In figure 5 below, we set out the proposals for the performance related metrics and what ‘performance measurement area’ and KPI they contribute to. Following the figure, we set out the rationale for incorporating each metric. In annex A, we outline metrics that have been proposed which we do not propose to include.

Figure 5: Proposed Metrics

No.	Proposed metric	Performance measurement area	KPI
1	% of SAF/PAB/Workgroup meetings where papers were issued within service level agreement (SLA) (not including agreed short notice items) and minutes were both issued on time and received no upheld complaints on factual accuracy (Meaning: misrepresentation of what was said and views provided when the final version has been circulated to relevant parties).	Code management	Code Management
2	% of code modifications with cross-code impacts where all such impacts were identified before completing the impact assessment stage.	Code management	Cross-code coordination
3	% of classification decisions (e.g., self-governance vs Authority-consent) that are not appealed or that are upheld following appeal.	Code management	Change management
4	% of modification reports 'sent back' by the Authority under defined reasons as set out in the SLCs, requiring re-submission before a final determination can be made.	Code management	Change management

Consultation Energy code reform phase 1: transitional measures and code changes

No.	Proposed metric	Performance measurement area	KPI
5	% Self-governance modifications without successful appeal of code manager decisions to reject or approve the modification.	Code management	Change management
6	% of code only changes (not systems) implemented to agreed date as per release plan (including any formally agreed revised release plans).	Code management	Change management
7	# appeals upheld against the code manager budget during the period	Financial management	Budgeting & Cost Transparency
8	# of within year budget amendments	Financial management	Budgeting & Cost Transparency
9	% of SDS 'Act now' priority areas where the code manager has taken tangible action (meaning: relevant deliverables have been included in the delivery plan and actioned through either publishing an issue (as per the pre-modification process), raising a modification, publishing a consultation response, or through a code modification outcome such as a establishing a new service or programme) during the period	Delivery plan and implementation	Delivery Plan Compliance
10	% of SDS delivery milestones as set out in the final published delivery plan achieved by the deadlines set out in the delivery plan	Delivery plan and implementation	Delivery Plan Compliance

Reasoning for incorporating the performance related metrics

2.76 **Metric 1:** This metric is intended to capture and assess the code manager's performance in its role as secretariat for SAF, workgroups, and where applicable PAB. We consider this an important area to measure, as accurate, efficient and well-supported secretariat functions are essential for a well-run and effective modification process. High-quality secretariat support helps ensure that governance activities run smoothly, that decisions are recorded clearly and transparently, and that code parties can engage confidently and efficiently in the process.

Consultation Energy code reform phase 1: transitional measures and code changes

- 2.77 **Metric 2:** We added this metric in response to feedback received at the September stakeholder workgroup. It is designed to capture the code manager's ability to effectively identify cross-code impacts and manage and deliver changes in a holistic and coordinated way. This capability is essential for supporting codes becoming more coherent and agile and responsive to system transformation. It is also critical to the timely delivery of strategic priorities, as they can often involve major reforms that require coordinated changes across multiple codes which can cause delay.
- 2.78 **Metric 3:** This metric is intended to measure the code manager's ability to make accurate and well-reasoned decisions on the appropriate classification of modification proposals (self-governance vs Authority consent), which is an important part of ensuring efficient and effective code modification process. In applying this metric, it is important that code managers are not discouraged from making valid classification changes, or from following the formal route when a reclassification is warranted. The focus of measurement should therefore be on the classification decisions that are not appealed or that are upheld through the appeal process.
- 2.79 **Metric 4:** This metric would measure the number of modification reports that are sent back by Ofgem. We consider this a useful overall indicator of the quality of the code manager's modification reports. We do note that send-backs can occur for reasons outside the code manager's control. Where this is the case, we expect that the code manager to explain the circumstances in the performance report. As required by the code manager licence, performance will be assessed holistically, taking into account the context surrounding each metric.
- 2.80 **Metric 5:** This metric would capture the number of self-governance modifications that are not appealed or that are upheld following appeal. While we recognise that appeals may be relatively infrequent, we consider this a useful indicator of the quality and robustness of the code manager's decision making under the self-governance route. The potential rarity of appeals can be reflected in the target levels for this metric. For example, a target of no, or very few, appeals being upheld may be an appropriate.
- 2.81 **Metric 6:** This metric is intended to capture the timeliness and effectiveness of implementing code changes, which is a core part of the code manager role. For the metric to function well, it is essential that there are robust processes for setting ambitious yet realistic timelines for modifications. This helps avoid any unintended incentive for the code manager to set unambitious targets. We consider the proposed code modification process that we have set out in our [consultation on the template code text](#) will provide a good basis for determining appropriate implementation dates.
- 2.82 **Metric 7:** This metric would measure the number of appeals upheld against the code manager budget. As with the previous metric on appeals, we consider this a

Consultation Energy code reform phase 1: transitional measures and code changes

useful indicator of the quality of the budget and whether it represents value for money. We recognise that appeals should be infrequent and this should be reflected in the target levels for the metric. Transparency in the budget-setting process and consultation with stakeholders, as required by the licence, will also be key elements for assessing the quality and effectiveness of the budgets.

- 2.83 **Metric 8:** This metric would measure the number of mid-year budget amendments. We consider this a useful indicator of the code manager's ability to accurately forecast costs, while recognising that not all changes will be foreseeable. Where amendments are required due to circumstances outside the code manager's control, we expect this to be clearly explained in the performance report.
- 2.84 **Metric 9:** This metric would measure progress against the priority areas set out in the SDS. This will be a key part of the code manager role, particularly for ensuring strategic priorities are delivered effectively, and it is therefore important to measure this progress. The drafting currently includes examples of activities that would count as progress, and we welcome stakeholder views on whether additional detail would be useful.
- 2.85 **Metric 10:** The final performance related metric captures the timeliness of the milestones set out in the delivery plan. This is a key element of the role, particularly for ensuring strategic priorities are delivered effectively. We consider that the delivery plan consultations, and ability to Ofgem to issue directions, will help ensure that timelines are ambitious and achievable. Where external factors affect delivery, we expect the code manager to explain circumstances in the performance report through the narrative component.
- 2.86 For each metric, we are seeking views on whether respondents agree it should be included in the framework. We also welcome feedback on the metrics we are proposing not to include, set out in annex A.
- 2.87 The code manager SLCs allow for performance metrics that include indications of 'performance levels', for example 'high performing', 'achieving', 'underperforming'. We consider that setting out such performance levels could be useful for transparency and provide clearer expectations of the code manager's performance, but that they are not essential from day 1, noting that code manager performance will be considered and assessed holistically.
- 2.88 We welcome feedback from respondents on what could constitute appropriate 'performance levels' for each metric. For example, would one instance of an upheld appeal on classification decisions be an indication of a code manager underperforming with regards to this metric, or should the threshold be higher than this?

Proposed non-performance related metrics ('code health' metrics)

2.89 Annex A sets out our proposals for the code health metrics. These include indicators such as the number of issues and modifications raised and the average timeline between a modification being raised and its submission to Ofgem. We are seeking views on whether the code health metrics proposed capture the most meaningful aspects of overall code health.

Proposed approach to stakeholder engagement and surveying

2.90 We propose two forms of surveying: 'SAF & PAB' and 'events-based' surveying.

2.91 **SAF & PAB surveying:** This would be a six-monthly survey, aligned across all the code managers in terms of questions, ratings and timings. Each code manager would issue the survey to its SAF, and where applicable, PAB members. The survey would cover multiple aspects of the code manager's performance and the SAF and PAB members would be required to respond.

2.92 **Events-based surveying:** These would be short, targeted surveys (typically a single satisfaction rating with an optional comment) issued after specific events. We propose a degree of alignment across the code managers on the types of events surveyed, while allowing individual code managers discretion to expand this where appropriate.

2.93 In determining the surveying approach, it is important to balance the need for robust evidence to support performance assessment with the need to avoid placing unnecessary burden on stakeholders. We therefore consider it proportionate to target the SAF and PAB, who are already highly engaged, with the more comprehensive surveys. Alignment and coordination of these surveys will also be important to support cross-code comparison and minimise burden on individuals who may sit on multiple groups.

2.94 We consider that events-based surveying provides an efficient means of gathering high-level feedback and sentiment from a wider group without being overly burdensome. To avoid selective surveying, we propose specifying the area for which feedback must be gathered. These are set out in annex A.

2.95 In addition to the surveys described above, we are considering whether an additional short, centralised annual or biennial survey issued to all code parties would add value. This could help ensure that parties not represented on SAF or PAB have sufficient opportunity to provide feedback on the code manager's performance more broadly. Annex A includes an overview of the types of questions a centralised survey could cover. We invite feedback from respondents on whether this additional survey should be included in the framework alongside the SAF & PAB and events-based surveys.

Questions

Q5. Do you agree with the proposed approach for the overarching performance framework?

Q6. Do you agree with incorporating the proposed performance-related metrics in the framework? Are there any you do not think should be included?

Q7. Are there any additional metrics you consider we should include in the performance framework (including any from the annex that we have proposed not to include)?

Q8. Do you have any views on what could constitute appropriate performance levels for the metrics?

Q9. Do you agree with incorporating the proposed 'code health' metrics?

Q10. Do you agree with the proposed approach to stakeholder engagement and surveying?

Q11. Do you agree with introducing an additional, centralised survey? If so, do you have any views on its format or questions to be included?

BSC and REC board policy

2.96 Elexon and RECCo each have an established board of directors. If Elexon and RECCo are licensed as code managers, those boards, by default, will also oversee the new licensed activities that Elexon and RECCo take on.

2.97 The governance arrangements for these boards are set out in the respective codes. We have assessed these arrangements against the SLCs, with particular attention to ensuring consistency with code manager independence and conflict of interest licence conditions (SLCs 15-19).

2.98 Our review identified three areas where the code manager's board independence could be impacted. These are (i) the ability for code parties to remove directors; (ii) the nomination committee procedures; and (iii) requirement for industry experience. Based on our analysis, we consider that the current arrangements for the BSC and REC do not contradict or undermine the licence requirements and so no code changes are needed.

BSC: Summary of relevant requirements

Nomination committee and industry experience

2.99 The BSC sets procedures for a nomination committee to recommend BSC board appointments. The nomination committee is appointed by the board and comprises of non-executive directors. A quorum of three directors, including at least one industry director and one non-industry director, is required to nominate a director.

2.100 The nomination committee evaluates the balance of skill sets, experience, independence, and knowledge on the board. This includes reflecting different

Consultation Energy code reform phase 1: transitional measures and code changes

classes of, or categories of, industry participation. The code requires that most directors on the board should have relevant industry experience and two should be independent. The BSCCo then circulates a resolution for voting parties to approve the appointment.⁹

2.101 Elexon has terms of reference setting out the main duties of the nomination committee. The terms of reference require the committee to regularly review the structure, size, and composition (including skills, knowledge, experience and diversity) of the board and recommend to the board any changes needed.

2.102 As part of the process to nominate directors, the nomination committee must ensure the board reflects different classes of, or categories of, industry participation. The code requires the nomination committee to ensure that:

- most directors on the board have relevant industry experience
- two directors are independent

Ability to remove directors

2.103 Voting parties can propose a non-binding resolution on any matter relating to the board's activities and can propose and vote on binding resolutions to remove a director.

REC: Summary of relevant requirements

Voting requirements

2.104 REC shareholders can call a general meeting and vote on main resolutions, including director appointments. The resolutions can be binding or non-binding. The REC board has a quorum requirement of 50 percent of total REC board members, and decisions are made by majority. The REC chair can exclude a board member from discussion to avoid a conflict of interest.

Nomination committee procedures

2.105 The REC sets requirements for the nomination committee to recommend appointments. These are to determine, in consultation with the Authority, the skill sets, capabilities and areas of specialism required for each REC board appointment.

Ability to remove directors

2.106 REC board members must retire two years after their appointment, unless reappointed via the above procedure. The REC board members can be removed in three ways:

⁹ The BSC lists eligible voting parties as the NETSO; each trading party and/or each distribution system operator; and each voting party group. A voting party group is the largest aggregation of such Parties that are affiliated to each other.

Consultation Energy code reform phase 1: transitional measures and code changes

- as the result of a no confidence vote by the parties, requiring at least 75 percent of the parties who vote
- where directed by Authority
- if they do not attend two consecutive REC board meetings without good reason

Analysis

2.107 We consider that the current governance arrangements for the BSC and REC do not contradict or undermine the SLCs, in particular those relating to independence and conflicts of interest (SLCs 15-19), and we do not consider any changes are needed.

Review of nomination committee requirements

2.108 The nomination committee procedures for both codes require a formal, rigorous, and transparent process for board appointments, as an independent process is undertaken to identify and assess the suitability of candidates.

2.109 We identified a potential inconsistency between the BSC requirement for the nomination committee to ensure that the majority of directors have industry experience, and the SLC requirement that the majority of directors be sufficiently independent. However, we consider it is possible for directors to comply with both the requirement to have industry experience and be sufficiently independent, particularly as “sufficiently independent” is defined as not having a position with a conflict within the past year.

Industry voting rights and ability to remove directors

2.110 The REC and BSC provide code parties with powers to raise non-binding resolutions and voting rights to remove directors, which could be significant in combination. We considered whether these requirements could affect the independence of board members, given they could have an incentive to act in a way that preserves their position but is not in accordance with the best interests of the code.

2.111 We consider these requirements have sufficient safeguards to prevent misuse and do not propose any changes to the BSC and REC. The REC has a high threshold to vote to remove directors, meaning widespread support is needed to invoke this power, and we consider it is unlikely that such a large number of stakeholders would collude to use these powers inappropriately. The BSC also has appropriate safeguards in place to prevent unjust removal of directors, as it can only be invoked where the appointment does not comply with the terms of reference.

Questions

Q12. Do you agree to retain the current governance arrangements and procedures as set out in the BSC and REC?

Q13. Are there any code provisions that potentially contradict the board independence requirements set out in the SLCs?

REC and BSC budget appeals policy

2.112 SLC 21 requires the codes to include a budget appeals process for code parties, Citizens Advice, Citizens Advice Scotland, and Consumer Scotland according to specified grounds. Below we set out proposed changes to assist the implementation of the budget appeals condition.

2.113 In a forthcoming notice under the Energy Act 2023, we expect to consult on changes that are consequential to the budget appeals process requirements introduced by SLC 21.

Proposal and analysis

2.114 We propose to add a requirement to the REC and the BSC (and subsequent codes as they are designated) to enable the effective implementation of SLC 21. This would set obligations on the code party to consult with the code manager on the potential appeal item, and the code party and code manager to make reasonable efforts to resolve the potential dispute, prior to the code party raising an appeal. We consider that this would add value in potentially reducing the time and resources involved in processing budget appeals.

2.115 We consider this change is best incorporated in the BSC and REC (and subsequent codes as they are designated), rather than the SLCs, as the SLCs only sets obligations on the code manager rather than code parties.

Questions

Q14. Do you agree with our proposal to require code parties to consult with the code manager on a potential appeal item prior to raising an appeal?

3. Code manager licence terms, and bespoke and transitional licence arrangements for code managers of the Balancing and Settlement Code and Retail Energy Code

We set out and seek views on our proposed approach to the revocation and termination terms of the code manager licence, following the publication of the code manager standard licence conditions (SLCs).

We also discuss whether any transitional amendments to the SLCs may be necessary to support the effective implementation of the new governance framework for phase 1.

Revocation and termination terms of the code manager licence

- 3.1 For each licence that we grant, we include a set of terms. Licence terms set out the framework of the licence, defining its scope, duration and legal basis. The terms will be unique to each code manager licence and will underpin the code manager standard licence conditions (SLCs), which are the rules the licensee must follow while holding the licence.
- 3.2 When granting code manager licences, we expect to include terms that follow the same structure and include the same generic content as the licence terms commonly used in existing licences, such as the supplier and network licences. However, we may omit generic terms and add bespoke terms as appropriate for each code manager licence. Given the generic nature of the majority of the terms across licences, we have not included a full set here for consultation.
- 3.3 Our focus in this section is therefore on the proposed revocation events and termination notice period, for which we outline our rationale and proposals regarding their inclusion in the licences.

Revocation events

- 3.4 The revocation events set out the circumstances in which the licence can be revoked. If a revocation event has occurred, Ofgem can assess whether to issue a revocation notice, which would trigger the end of licence provisions in the SLCs.
- 3.5 In line with other licences, we propose to divide revocation events into three categories (see annex B for full list):
 - emergency revocation events, which allow the Authority to revoke the licence after giving at least 24 hours' notice
 - grant revocation events, which allow the Authority to revoke the licence after giving at least 7 days' notice

Consultation Energy code reform phase 1: transitional measures and code changes

- other revocation events, which allow the Authority to revoke the licence after giving at least 30 days' notice

3.6 Most revocation events (including events related to insolvency of the licensee and the licensee providing materially misleading information at selection) are consistent across the licences, and we propose to align with these.¹⁰ However, there are some revocation events that differ across licences. Regarding these, we propose to:

- include an 'other revocation event' (30 days' notice) where:
 - a code manager has ceased to perform their licence function, but not where they have never performed the function. This is because we only intend to grant each licence once the code manager is ready to perform the role. As such, we should not face a scenario where we need to revoke a licence due to the licensee having never performed the role¹¹
 - the Authority considers that the licensee has committed, or has failed to take reasonable steps to prevent, a breach of the restriction on becoming a related undertaking (SLC 7). This mirrors an equivalent revocation event in the smart communications licence terms, and aims to protect the licensee's independence, which we consider to be fundamental for the code managers' role¹²
 - the Authority considers that the licensee has committed, or is committing, a serious breach of any conditions of its licence, or of any statutory requirement connected with the licence, such that it is no longer appropriate for the licensee to continue to hold its licence. This mirrors an equivalent revocation event in the smart communications licence terms¹³
- not include a revocation event for:
 - any breach of security requirements. This revocation term is specific to the smart meter communication licence terms, which we consider has potential security ramifications that do not apply in the case of the code manager
 - for unpaid amounts to the Authority (excluding financial penalties). This is because we have not proposed that the code manager will be routinely expected to pay any amount to the Authority

¹⁰ Please refer to Annex B Schedule 2, Part A 'Emergency Revocation Event', Part B 'Grant Revocation Event' and Part C 'Other Revocation Event' paragraph 6 (a)-(d), and (h)

¹¹ Please refer to Annex B Schedule 2, Part C 'Other Revocation Event' paragraph 6 (e)

¹² Please refer to Annex B Schedule 2, Part C 'Other Revocation Event' paragraph 6 (g)

¹³ Please refer to Annex B Schedule 2, Part C 'Other Revocation Event' paragraph 6 (f)

Licence termination notice period

- 3.7 We intend to grant licences on an enduring basis,¹⁴ but we propose that we will have the power to end a licence regardless of whether a revocation condition has been met, provided that five years has elapsed since the licence was granted and the Authority gives a minimum of five years' notice. This approach recognises the new and evolving role of the code manager under the future governance framework and provides greater flexibility than existing licences by allowing a shorter termination notice period. We consider that this will offer appropriate certainty and stability to code managers, while also allowing the Authority to remain adaptable and responsive to the needs of the industry as the code manager role evolves.

Questions

- Q15. Do you agree with the proposed revocation terms and licence termination notice period, including the proposed legal drafting set out in annex B?

Amendments to the standard licence conditions to address issues during the transition

- 3.8 We expect to grant the code manager licences for the BSC and the REC in November 2026. We recognise that some of the SLCs published in our [joint government response on the code manager licence conditions and code modification appeals to the CMA](#), will be challenging for the phase 1 code managers to comply with, in part due to the anticipated timing of their appointments.
- 3.9 This section sets out proposed transitional arrangements for the annual budget, cost recovery statements, delivery plans and performance to take account of this.

Budgets, cost recovery statements and budget appeals

- 3.10 It is important that the newly appointed phase 1 code managers can recover the costs for their licensed activity from the code manager licence commencement date. Under SLC 20, each code manager must consult on and publish an annual budget setting out its forecasted costs for the forthcoming year by 31 March.
- 3.11 We recognise that the phase 1 code managers will not have a code manager budget in place at the anticipated licence commencement date. There is also a risk that they might have, in their capacity as code administrators, started consulting on their respective 2027/28 budgets ahead of the licence commencement date. To address this gap, we set out below a set of proposed transitional arrangements. These proposals include measures in relation to code

¹⁴ This was decided in our [May 2025 decision in response to our consultation on code manager selection](#)

Consultation Energy code reform phase 1: transitional measures and code changes

manager budget, cost recovery statement and budget appeals for (i) the period from the code manager licence commencement date to 31 March 2027 (referred to as the ‘transition period’), and (ii) measures relating to the code manager budget for the 2027/28 financial year.

Annual budget in the transition period

- 3.12 In the transition period (up to 31 March 2027), we propose to allow the newly appointed code managers to continue using their previously approved code administrator budgets, and for this to be known as the transitional budget. We also propose to introduce an accompanying requirement for the phase 1 code managers to publish a document clearly identifying which costs (or proportion of costs) relate to the code manager business. To enable these proposals, we propose to amend SLC 20 of the phase 1 code managers’ respective licences (see annex C).
- 3.13 We have considered alternative approaches for the transition period, including requiring the code manager to have a new budget in place by the licence commencement date. While this option offers some benefits, such as ensuring that the budget clearly reflects the code manager’s role, it would increase the administrative burden on the prospective code managers during the lead up to the licence commencement date. We consider it would be impractical and disproportionate to expect an approved budget to be in place on the licence commencement date when both Elexon and RECCo will already have an approved budget in place that includes anticipated code manager costs. This is particularly the case given that the transitional budget would be in place for a limited period (ie until 31 March 2027).

Analysis of approach

- 3.14 We consider that allowing the phase 1 code managers to use their existing code administrator budgets, which have been consulted on in line with the relevant code, is a proportionate approach. We understand that Elexon’s and RECCo’s 2026/27 budgets include costs that they anticipate will be needed to comply with the code manager licence if it is granted to them.
- 3.15 We believe our proposal to require the code managers to publish a statement clarifying which costs in the transitional budget relate to the code manager business will provide transparency and ensure clarity on which elements of the budget are enforceable under the licence.

Questions

- Q16. Do you agree with our preferred approach to code manager budgets in the transition period, including the proposed legal drafting set out in annex C (SLC 20)?

Consultation Energy code reform phase 1: transitional measures and code changes

Code manager cost recovery statement in the transition period

- 3.16 The arrangements for the code manager are closely linked to how charges are set and recovered from code parties. Under SLC 23, a code manager must issue charges that align with an Authority-approved cost recovery statement. This raises questions of timing and proportionality, including whether a statement can be approved for the licence commencement date and whether requiring this would be proportionate where the code manager has a transitional budget in place.
- 3.17 To ensure that the newly appointed phase 1 code managers can recover their costs from the code manager licence commencement date, we propose to allow the phase 1 code managers to continue to use their existing 2026/27 cost recovery statement during the transition period. Under this approach, the licence requirements under SLC 23 would apply from 1 April 2027, unless otherwise directed by Ofgem. We consider that this is a proportionate approach, as it enables the code managers to recover costs for their licensed activity, while preparing a cost recovery statement for the 2027/28 financial year that meets the licence requirements.

Questions

Q17. Do you agree with the proposal relating to the cost recovery statement in the transition period, including the proposed legal drafting set out in annex C (SLC 23)?

Budget appeals in the transition period

- 3.18 SLC 21 requires the code to include a budget appeal process for code parties, Citizens Advice, Citizens Advice Scotland and Consumer Scotland. If we proceed with our proposed approach for the code manager budget during the transitional period, we propose that the transitional budget would not be subject to appeal. We consider it would be inappropriate to permit appeals to the transitional budget under the licence during the middle of a budget year. We also note that the transitional budget would have already been approved through an existing, well-tested governance process by RECCo and Elexon under their respective codes.
- 3.19 It is not essential to amend SLC 21 to ensure that the transitional budget is not subject to appeal under the licence, as SLC 21 only applies to the licensee's annual budget, as set out in SLC 20. However, for the avoidance of doubt, we propose to amend SLC 21 in the phase 1 code manager licences, to clarify that the transitional budget will not be subject to appeal.

Questions

Q18. Do you agree with the proposal relating to budget appeals in the transition period, including the proposed legal drafting set out in annex C (SLC 21)?

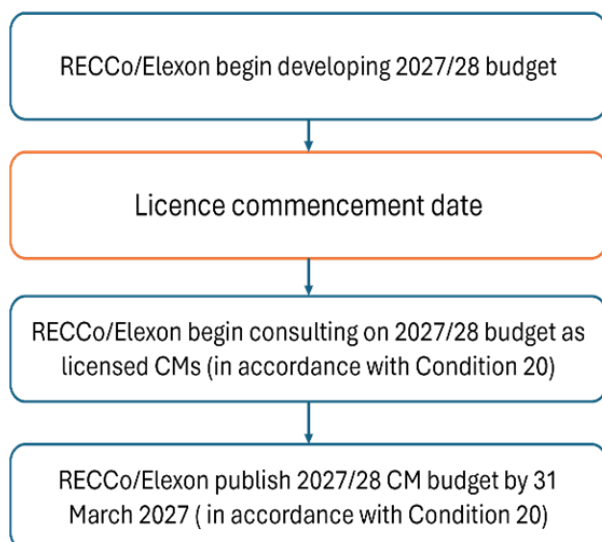
Consultation Energy code reform phase 1: transitional measures and code changes

Code manager budget for 2027/28 financial year

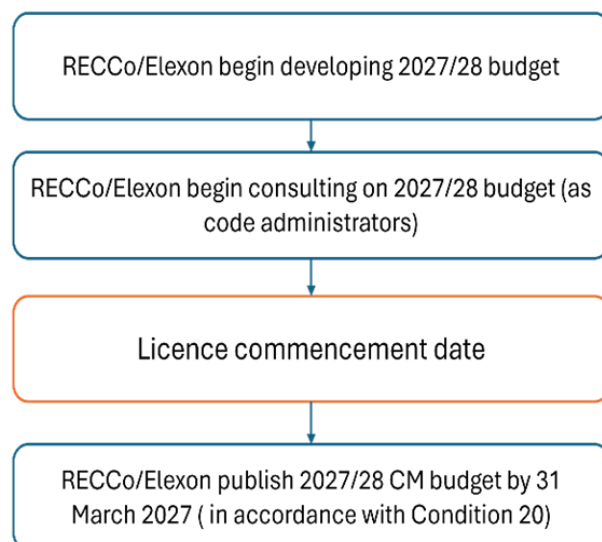
- 3.20 Under existing budget planning arrangements in the codes, code administrators typically begin consulting on their annual budgets in the autumn or winter preceding the relevant financial year. Depending on the timing of the grant of the code manager licence to the phase 1 code managers, they may not have enough time following licence commencement to complete all stages of the budget consultation process for the 2027/28 financial year.
- 3.21 We propose that if the licence commencement date is after RECCo or Elexon, in their capacity as code administrators, have started their consultation on the 2027/28 budgets, for example, due to a delay in licence commencement, they will not have to carry out a further consultation once the licence has commenced. To give effect to our proposal, we propose to amend SLC 20 to enable Ofgem to issue a direction disapplying the requirement to consult on the 2027/28 budget.
- 3.22 If the licence commencement date occurs before RECCo or Elexon have started consulting on their 2027/28 budgets, the newly appointed phase 1 code managers would be required to comply with the requirements to consult in SLC 20.

Figure 6: flow charts setting out the development of the 2027/28 budget with different licence commencement dates

Scenario 1: Licence commencement date is before RECCo/Elexon begin consulting on their 2027/28 budget:



Scenario 2: Licence commencement date is after RECCo/Elexon begin consulting on their 2027/28 budget



This image presents two side by side flow charts that compare how the process for setting the 2027/28 budget differs depending on the timing of the code manager licence commencement date. On the left, scenario 1 shows the licence commencing before RECCo and Elexon begin consulting on the 2027/28 budget: they first start developing the budget, then the licence commences, after which they consult on the budget as licensed code managers in line with Condition 20, and finally publish the 2027/28 code manager budget by 31 March 2027. On the right, scenario 2 shows the licence

Consultation Energy code reform phase 1: transitional measures and code changes

commencing after consultation has already started: RECCo and Elexon start developing the budget, then begin consulting on it as code administrators, followed by the licence commencement date, and finally publish the 2027/28 code manager budget by 31 March 2027 in accordance with Condition 20. In both scenarios, the result is the same—a published 2027/28 code manager budget by 31 March 2027—but the diagrams illustrate how consultation may occur either after or before licensing, depending on timing.

Analysis of approach

- 3.23 We consider that our proposed approach strikes a reasonable balance between ensuring effective stakeholder consultation on the 2027/28 budgets and avoiding unnecessary duplication during the transition. Where some or all of the consultation on the 2027/28 budget has already been carried out under existing code governance arrangements, requiring the newly licensed code manager to repeat that process would add no value, while increasing the administrative burden for both code managers and stakeholders.
- 3.24 Overall, this approach supports a smooth and orderly transition to the new framework, provides regulatory certainty for code managers and stakeholders, and ensures that the 2027/28 budget setting processes remain proportionate.

Questions

Q19. Do you agree with our proposed approach for the 2027/28 code manager budget, including the proposed legal drafting in annex C (SLC 20)?

Delivery plans

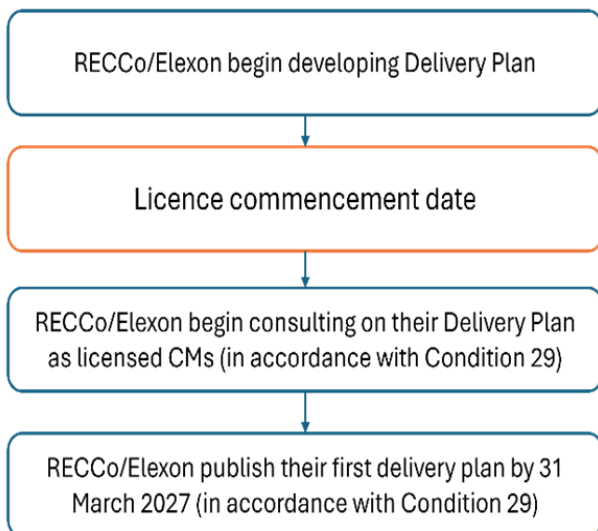
- 3.25 SLC 29 requires the code manager to have a delivery plan in place by 31 March of each year. The delivery plan must include, among other things, a plan to facilitate the delivery of the strategic direction statement (SDS). The condition states that the draft delivery plan needs to be consulted on by the licensee and that the final delivery plan must be published along with the annual budget. By default, this would require the newly appointed phase 1 code managers to have a delivery plan in place by 31 March 2027. Given that we expect the licence commencement date will be in November 2026, we have considered whether this is appropriate, and whether any licence amendments are required to support this.
- 3.26 We consider that it is appropriate and achievable for the phase 1 code managers to have a delivery plan in place by 31 March 2027, in line with the default position under SLC 29. Where RECCo and Elexon have started consulting on their delivery plans prior to the licence commencement date (for example, to mitigate delays to the licence commencement date), we propose to amend SLC 29 (see annex C) to enable Ofgem to issue a direction disapplying the requirement to consult on the 2027/28 delivery plan (noting a consultation would have been carried out, or at least commenced, by RECCo and Elexon as code administrators).

Consultation Energy code reform phase 1: transitional measures and code changes

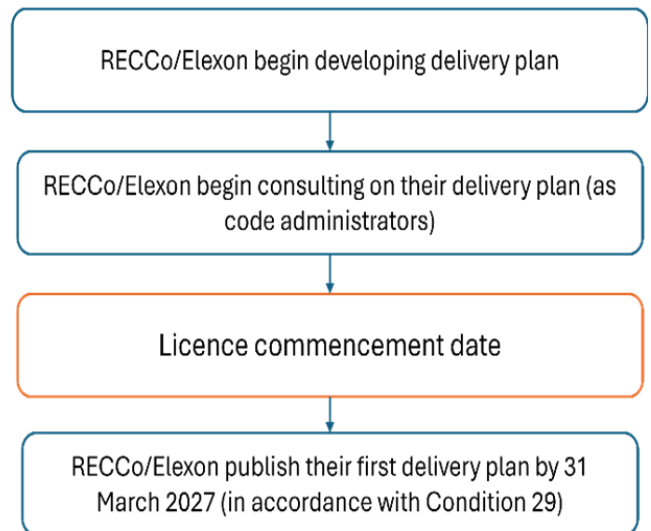
3.27 We have considered alternative approaches, including exempting the code managers from the requirement to have a delivery plan in place for 31 March 2027, meaning that the first delivery plan would be in place by 31 March 2028. This would reduce the risk of overburdening RECCo and Elexon in the transition period. However, given the critical role the SDS plays to enable coordination and prioritisation of strategic change within the codes, we consider it important to have delivery plans in place as soon as reasonably possible to minimise any delays in delivering the SDS.

Figure 7: Flow charts setting out the development of the first delivery plan with different licence commencement dates

Scenario 1: Licence commencement date is before RECCo/Elexon begin consulting on their delivery plan



Scenario 2: Licence commencement date is after RECCo/Elexon begin consulting on their delivery plan



The image shows two side by side flow charts comparing how RECCo and Elexon develop and publish their first delivery plan depending on when the code manager licence commences. In scenario 1, where the licence commencement date is before RECCo and Elexon begin consulting on the delivery plan, they first develop the delivery plan, then the licence commences. After that, they consult on the delivery plan as licensed code managers in accordance with Condition 29 and finally publish their first delivery plan by 31 March 2027. In scenario 2, where the licence commencement date is after consultation has already begun, RECCo and Elexon first develop the delivery plan and begin consulting on it as code administrators. The licence then commences, and they proceed to publish their first delivery plan by 31 March 2027 in accordance with Condition 29.

Analysis of approach

3.28 This approach would ensure that there is no delay in implementing the delivery plan and the benefits that flow from this. We consider that it aligns with our proposed plans to formalise the second preliminary SDS for the BSC and REC

Consultation Energy code reform phase 1: transitional measures and code changes

upon their designation, as set out in our consultation on the [second preliminary SDS](#).

Questions

Q20. Do you agree with our proposed approach to ensure the code manager has a delivery plan in place from the 31 March 2027, including the proposed legal drafting in annex C (SLC 29)?

Performance

3.29 In this section we present our proposal for the transitional arrangements needed for the code manager performance framework, as consulted on in section 3.

Options

- 3.30 **Option 1 - No transitional arrangements:** Under this option, Ofgem would implement the enduring performance framework in the REC and BSC, using the Energy Act 23 powers, with the framework taking effect from the phase 1 code manager licence commencement date.
- 3.31 **Option 2 - Transitional arrangements (preferred):** Under this option, transitional arrangements would apply before the enduring performance framework is fully implemented in the REC and BSC. During this period, the performance framework would sit outside of the code following the licence commencement date, supported by streamlined governance arrangements distinct to the code modification process. The detailed steps for this preferred approach are set out after the ‘analysis of options’ section.

Analysis of options

- 3.32 **Option 1:** This approach would ensure that the performance framework is implemented from day 1, meaning the code managers would be held to account on their performance from day 1. Embedding the framework directly into the REC and the BSC from the outset would also ensure that any changes follow the code modification process, with clear governance requirements and appropriate opportunities for stakeholder input and Ofgem oversight.
- 3.33 However, we expect that further adjustments to the performance framework are likely to be needed after licence commencement as the new code manager model beds in and lessons emerge. Requiring a formal code modification for each change during this early period may be excessively burdensome, costly and time consuming for both code managers and stakeholders.
- 3.34 There is also a risk that reliance on the code modification process during this formative period could slow the resolution of issues or delay improvements to the framework, potentially affecting its overall quality and effectiveness.
- 3.35 **Option 2 (preferred):** This option would introduce a defined transition period between the licence commencement date and implementation of the enduring

Consultation Energy code reform phase 1: transitional measures and code changes

performance arrangements, during which the framework could be applied and refined without being embedded in the codes. This transition period would support the development of an effective and high-quality enduring approach by allowing Ofgem to observe how the new code manager role operates in practice, identify lessons learned, and incorporate them into the enduring approach.

3.36 However, without clear interim performance measures and adequate governance processes, there is a risk that the code managers may not be held to account on their performance during this period. This could result in both poor and strong performance not being adequately measured and create uncertainty for stakeholders about which metrics apply in the interim period.

3.37 On balance, we consider option 2 to be preferable to having no transitional arrangements. For a transitional approach to be effective, it must include proportionate governance arrangements that balance accountability and flexibility and set out clear steps and timelines for implementing the enduring arrangements. The details of our preferred approach are set out below, and the corresponding licence drafting is set out in annex C (SLC 25 and 26).

Details of preferred approach

3.38 We propose the following **steps and timeline** for implementing the performance transitional arrangements:

- August 2026: In the response to this consultation, we would set out our decision on the performance framework (including the metrics and KPIs that code managers will report against), alongside the proposed amended licence condition enabling the transitional arrangements (drafted in annex C), taking into account the stakeholder feedback received
- September/October 2026: Statutory consultation, and subsequent decision, on the amended and special conditions for RECCo and Elexon's code manager licences
- November 2026: planned code manager licence grant
- no later than 31 March 2027: In line with the steps specified in the amended licence condition, RECCo and Elexon would be required to create a document, separate from the code, containing the performance framework as set out in the decision document, making necessary tweaks and minor changes to operationalise it. This document would be the transitional performance framework, containing things such as KPIs, metrics and the approach to stakeholder engagement. This would need to be in place by the 2027/2028 financial year, but could also become operational sooner if possible
- 2027/2028 financial year: RECCo and Elexon collect data and feedback in accordance with the most up to date version of the transitional performance framework

Consultation Energy code reform phase 1: transitional measures and code changes

- April 2028: RECCo and Elexon prepare and publish the first code manager performance report
- Spring/Summer 2028: We currently expect to do a direct code modification to introduce the enduring performance framework into the code, taking into account lessons learned and feedback from the transitional arrangements

3.39 Governance arrangements: We propose that RECCo and Elexon would be able to make changes to the transitional performance framework following consultation with the stakeholder advisory forums (SAFs). We consider this the most agile approach, noting that we propose to introduce checks and balances to ensure input from industry and Ofgem on any changes:

- stakeholders would be given the opportunity to provide feedback on the performance framework through this transitional measures and code changes consultation
- Ofgem would publish the proposed framework as part of the response to this consultation, considering stakeholder feedback and comments. RECCo and Elexon would need to base the transitional performance framework document on this (as required by the amended licence conditions)
- the code manager must consult the SAFs (both for the REC and BSC, and any subsequent SAFs for designated codes) on changes to the transitional framework
- industry input would need to be considered through the modification process introducing the enduring framework in the codes, and Ofgem would make the final decision

3.40 Remuneration policy and minimum acceptable performance: The code manager standard licence conditions on ‘remuneration policy’ and ‘minimum acceptable performance’ note that the performance indicators set out in the code are part of what will be considered as part of assessment of compliance with the licence requirements (alongside feedback from stakeholders and Ofgem). We consider that this should also apply to the transitional performance framework, noting that the licence requirements are intended to enable a holistic assessment of minimum acceptable performance and implementing minimum requirements for the remuneration policy. In annex C (SLC 25 and 26) we set out the proposed licence drafting enabling this intent.

3.41 Overall, we consider that the proposed steps and timelines balances accountability and agility and would support the development of a high-quality and well-evidenced enduring code manager performance framework.

Questions

Q21. Do you agree with our preferred approach for the performance transitional arrangements, including the proposed legal drafting in annex C (SLC 25 and 26)?

Appendix 1 – Consultation questions

When responding to the questions below, please provide reasoning where possible.

- Q1: Do you agree with our proposed approach to defining the scope of the licensed code manager business for phase 1 codes, including the use of a case-by-case assessment of activities that do not clearly fall within the core code manager role?
- Q2: Do you agree with our proposed classification of activities as code manager business or permitted business for the Phase 1 code managers, as set out for the Balancing and Settlement Code and the Retail Energy Code?
- Q3: Do you agree with our proposed approach for who should be responsible for making decisions currently made by the BSC panel?
- Q4: Are there any existing decisions that are taken by the BSC panel where our proposed approach would not be appropriate?
- Q5: Do you agree with the proposed approach for the overarching performance framework?
- Q6: Do you agree with incorporating the proposed performance related metrics in the framework? Are there any you do not think should be included?
- Q7: Are there any additional metrics you consider we should include in the performance framework (including any from the annex that we have proposed not to include)?
- Q8: Do you have any views on what could constitute appropriate performance levels for the metrics?
- Q9: Do you agree with incorporating the proposed 'code health' metrics?
- Q10: Do you agree with the proposed approach to stakeholder engagement and surveying?
- Q11: Do you agree with introducing an additional, centralised survey? If so, do you have any views on its format or questions to be included?
- Q12: Do you agree to retain the current governance arrangements and procedures as set out in the BSC and REC?
- Q13: Are there any code provisions that potentially contradict the board independence requirements set out in the SLCs?
- Q14: Do you agree with our proposal to require code parties to consult with the code manager on a potential appeal item prior to raising an appeal?
- Q15: Do you agree with the proposed revocation terms and licence termination notice period, including the proposed legal drafting set out in annex B?
- Q16: Do you agree with our preferred approach to code manager budgets in the transition period, including the proposed legal drafting set out in annex C (SLC 20)?
- Q17: Do you agree with the proposal relating to the cost recovery statement in the transition period, including the proposed legal drafting set out in annex C (SLC 23)?
- Q18: Do you agree with the proposal relating to budget appeals in the transition period, including the proposed legal drafting set out in annex C (SLC 21)?
- Q19: Do you agree with our proposed approach for the 2027/28 code manager budget, including the proposed legal drafting in annex C (SLC 20)?

Consultation Energy code reform phase 1: transitional measures and code changes

Q20: Do you agree with our proposed approach to ensure the code manager has a Delivery Plan in place from the 31 March 2027, including the proposed legal drafting in annex C (SLC 29)?

Q21: Do you agree with our preferred approach for the performance transitional arrangements, including the proposed legal drafting in annex C (SLC 25 and 26)?

Appendix 2 - Glossary

Acronyms	Definitions
BSC	Balancing and Settlement Code
CACoP	Code Administration Code of Practice
CCSG	Cross-Code Steering Group, set up under the Retail Energy Code (REC) to better facilitate cross code change.
CSDB	Centralised Service Delivery Body
CMA	Competition and Markets Authority
CUSC	Connection and Use of System Code
DCUSA	Distribution Connection and Use of System Agreement
DESNZ	Department for Energy Security and Net Zero
I&A	Implementation and assurance
IGT UNC	Independent Gas Transporters Uniform Network Code
MPW	Modification Process Workgroup
PAB	Performance Assurance Board
REC	Retail Energy Code
SAF	Stakeholder Advisory Forum
SCR	Significant Code Review, a way for Ofgem to influence the existing end to end code change process to modify industry codes
SDS	Strategic Direction Statement means a statement prepared and published by GEMA that sets out a strategic direction for industry codes and contains a strategic assessment of government policies and developments related to the energy sector, that the GEMA considers will or may require the making of modifications to industry codes.
SLC	Standard Licence Conditions
STC	System Operator- Transmission Owner Code
UNC	Uniform Network Code

Send us your feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this consultation. We would also like to get your answers to these questions:

Do you have any comments about the quality of this document?

Do you have any comments about its tone and content?

Was it easy to read and understand? Or could it have been better written?

Are its conclusions balanced?

Did it make reasoned recommendations?

Do you have any further comments?

Please send your feedback to stakeholders@ofgem.gov.uk.

Privacy policy

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, “Ofgem”). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

Information: Include here all organisations outside Ofgem who will be given all or some of the data. There is no need to include organisations that will only receive anonymised data. If different organisations see different set of data then make this clear. Be as specific as possible.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for (be as clear as possible but allow room for changes to programmes or policy. It is acceptable to give a relative time for example ‘six months after the project is closed’)

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it

Consultation Energy code reform phase 1: transitional measures and code changes

- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas (Note that this cannot be claimed if using Survey Monkey for the consultation as their servers are in the US. In that case use “the Data you provide directly will be stored by Survey Monkey on their servers in the United States. We have taken all necessary precautions to ensure that your rights in term of data protection will not be compromised by this”.

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system. (If using a third party system such as Survey Monkey to gather the data, you will need to state clearly at which point the data will be moved from there to our internal systems.)

10. More information For more information on how Ofgem processes your data, click on the link to our “[Ofgem privacy promise](#)”.