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Kate Lloyd
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17th April 2026

Dear Kate Lloyd,

Implementation of the energy code reform: Second decision consultation

Northern Gas Networks (NGN) welcomes the opportunity to respond to the consultation on the proposed code text and Stakeholder Advisory Forum (SAF) arrangements following Ofgem's second decision on the implementation of Energy Code Reform. NGN has been actively engaged throughout the reform programme, including participation in industry workgroups and consultation discussions, and we appreciate the opportunity to provide our views at this important stage.

As a Gas Transporter, NGN is a party to the Retail Energy Code and the Smart Energy Code, with our primary code duties and obligations arising under the Uniform Network Code (UNC). Our response is therefore framed from the perspective of a network code party, with particular focus on governance, transparency and implementation impacts for gas distribution.

In particular, NGN considers it essential that the transition to the new Code Manager arrangements is managed in a way that avoids any period of dual or conflicting licence obligations. As the new Code Manager licence conditions take effect, corresponding obligations under existing regulatory frameworks must be removed or disapplied concurrently.

By way of example, Gas Transporter obligations under Standard Special Licence Conditions A11 (Network Code and Uniform Network Code), A12 (Joint Office Governance Arrangements), and A15 (Central Data Service Provider) will need to cease at the point the new arrangements come into force. This is necessary to maintain clarity of accountability, prevent conflicting regulatory direction, and avoid parallel governance arrangements operating for the same code functions during transition.

To support a smooth and effective transition, NGN recommends the establishment of a transition forum to facilitate the sharing of best practice and implementation learning. Such a forum would provide a structured mechanism to address areas of ambiguity, including differing interpretations of appropriateness, and support greater consistency across industry parties.

In reviewing the proposed Code and SAF text, NGN has identified a small number of areas where clarification or minor amendment may be beneficial to support effective implementation and alignment.

we are
the network

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NGN has structured its response in line with the consultation template. Appendix 1 sets out our detailed responses to:

Code Modification Provisions (Sections A1–A22) *Where no response is provided, NGN has no further comment.*

In particular:

Section A2.6 – Advice and Assistance

NGN supports the intent of Section A2.6, including the Code Manager’s role in providing assistance to under-represented parties. However, NGN considers that additional clarity is required to ensure that “assistance” and “representation” do not give rise to a perceived or actual conflict with the Code Manager’s obligation to act impartially and objectively.

In NGN’s experience, where a Code Manager has materially shaped the development of a modification proposal, there is a risk that the resulting proposal reflects a preferred narrative or approach, rather than a balanced representation of stakeholder perspectives. This can lead to outcomes that are not proportionate, operationally practical, or reflective of affected parties’ views. NGN has also observed instances where factual narrative within modification documentation has not been readily updated, even where it may be misleading.

Examples are detailed in the appendix with section A2.

NGN therefore recommends that Ofgem clarifies either within the code text or supporting guidance the safeguards that should apply when assistance is provided under Section A2.6.

SAF Provisions (Sections B1–B12) *Where no response is provided, NGN has no further comment.*

Where unanswered, NGN has no additional comment. However, NGN wishes to highlight the following:

Section B6.1 – Removal of SAF Members for Non-Attendance

NGN supports the intent of this provision but considers that the proposed 50% attendance threshold (including attendance by an alternate) is low and may undermine effective participation and continuity. NGN recommends a higher threshold (for example, 75%), with appropriate discretion for extenuating circumstances and defined exceptions, such as widespread disruption events including pandemics.

NGN also provides responses relating to:

- the application of the framework to the BSC and REC; and
- conflict of interest provisions under existing panel arrangements.

These comments are within the relevant sections of the appendix. Please do not hesitate to contact us should you require any further clarification on our response.

Yours sincerely,



Tracey Saunders (via email)
Northern Gas Networks Ltd
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Appendix 1 – NGN consultation questions and responses.

Please see our responses to the specific questions or requests for comments outlined in the consultation below.

Code modification process

Q1. To what extent do you agree that the proposed code text accurately reflects our policy decisions set out in the main document?

Northern Gas Networks (NGN) agrees that Sections A1–A22 of the proposed code text accurately reflect Ofgem’s policy decisions as set out in the Second Decision on the implementation of Energy Code Reform. NGN supports the move to a licence led, harmonised modification framework and considers the proposed provisions to provide a clear and robust foundation for implementation across codes.

Across Sections A1–A22, NGN notes that the framework appropriately replaces prescriptive rules with a principles-based approach, providing the Code Manager with discretion to manage modification processes efficiently. NGN supports this approach in principle and considers that transparency, clear documentation of rationale, and appropriate visibility of SAF views will be particularly important in practice, especially for network codes where modifications may have material operational, safety or commercial impacts. Where we have comments, relating to specific sections, these have been noted below. Where no section is noted, we do not have comments to add.

Sections A1-A2: To what extent do you agree that the proposed code text accurately reflects our policy decisions set out in the main document?

NGN supports the intent of A2.6, including the Code Manager’s role in providing assistance to under-represented parties. However, NGN considers that the drafting would benefit from additional clarity to ensure that “assistance” and “representation” do not create a perceived or actual conflict with the Code Manager’s obligation to act impartially and objectively in managing the process.

In NGN’s experience, where a central body has materially shaped the development of a modification proposal, there is a risk that the resulting proposal can reflect a preferred narrative or approach, leading to outcomes that are not practical to implement or that do not reflect the balanced range of stakeholder views. NGN is also concerned that, in some cases, narrative within modification documentation has not been readily updated even where it may be misleading.

Examples of the above:

REC Modification R0253, where the proposal framed a specific solution by obligating Gas Networks to provide drawings or photographs following the discovery of gas theft, without sufficient exploration of proportionality, feasibility, or operational practicality.

REC Modification R0162’s documentation claimed the change was proposed “on behalf of Gas Networks”, despite the networks repeatedly stating they did not request it and specifically asked for the removal of the phrase. Despite these requests, the wording remained which implied network support or agreement that did not exist, creating a misleading narrative.

NGN therefore recommends that Ofgem clarifies (either in code text or supporting guidance) the safeguards that will apply where the Code Manager provides assistance under A2.6(c), including:

- (i) clear separation between support and decision-making,
- (ii) transparency of the Code Manager’s contributions to the development of proposals, and (iii) a requirement that any factual narrative within documentation remains accurate, balanced and capable of being updated where issues are identified.

Section A6: To what extent do you agree that the proposed code text accurately reflects our policy decisions set out in the main document?

NGN supports the provisions relating to withdrawal of Modification Proposals for non-engagement. NGN considers it important that decisions to withdraw are clearly documented, include reference to SAF views, and set out the rationale in order to maintain confidence in the governance process.

Section A15: To what extent do you agree that the proposed code text accurately reflects our policy decision set out in the main document?

NGN supports the principles-based approach to managing Alternative Modification Proposals. Where alternatives are combined or declined on proportionality grounds, NGN considers it important that the Code Manager clearly articulates the rationale to ensure transparency and avoid any perception of undue commercial advantage.

Section A18: To what extent do you agree that the proposed code text accurately reflects our policy decision set out in the main document?

Section A18.1 – Authority-Led Modifications

NGN notes potential ambiguity regarding the availability of legally drafted code text at the front end of the Authority-Led modification process. As currently drafted, the provision could be interpreted as requiring legal code text to be front-loaded. NGN considers clarification would be beneficial to ensure expectations are proportionate and consistent with established modification practice.

Section A21: To what extent do you agree that the proposed code text accurately reflects our policy decision set out in the main document?

NGN supports the proposed cross-code working arrangements and notes the importance of early identification of cross-code impacts, clear designation of Lead and Consequential Codes, and transparent communication between Code Managers to manage delivery and sequencing risks.

Section A22: To what extent do you agree that the proposed code text accurately reflects our policy decision set out in the main document?

Q2. Are any amendments needed to the proposed code text to ensure it reflects the specific requirements for the BSC and REC?

No Comments are provided.

Stakeholder Advisory Forum (SAF)

Q3: To what extent do you agree that the proposed SAF text accurately reflects our policy decisions set out in the main document?

NGN agrees that Sections B1–B12 of the proposed code text accurately reflect Ofgem’s policy decisions on the establishment, objectives, responsibilities and operation of the Stakeholder Advisory Forum (SAF). NGN supports the SAF being positioned as an advisory body that provides structured input and assessment at key stages of the modification process, alongside the Code Manager’s decision-making role.

NGN supports the proposed SAF objectives, governance structure, and the use of an independent chair, together with a mix of independent members, Code Party Representatives and statutory consumer advocates. NGN also supports the code-by-code determination of SAF composition and the use of Pool Members to provide specialist expertise where required.

NGN notes that, while SAF assessments and votes are appropriately advisory in nature, it will be important in practice that the Code Manager clearly and transparently explains any divergence from SAF advice in its final decision. This will be particularly important for modifications with material network or operational impacts, in order to maintain confidence in the governance framework.

NGN further notes that, as the SAF arrangements are implemented, it will be important to monitor their effectiveness in practice, particularly in relation to maintaining continuity of expertise, balancing representation between larger and smaller parties, ensuring meaningful participation by less well-resourced stakeholders, and supporting the impartiality requirements placed on SAF members, including Code Party Representatives whose time commitment is supported by their employer.

Sections B1-3: To what extent do you agree that the proposed code text accurately reflects our policy decision set out in the main document?

Northern Gas Networks (NGN) agrees that Section B3 accurately reflects Ofgem’s policy decisions regarding the role and responsibilities of the Stakeholder Advisory Forum (SAF). NGN supports the SAF’s advisory and assessment role at key stages of the modification process, including at draft and final report stages.

NGN notes that, while SAF assessments and votes are appropriately advisory in nature, it will be important in practice that the Code Manager clearly and transparently explains any divergence from SAF advice in its final decision. This will be particularly important for modifications with material operational or network impacts, in order to maintain stakeholder confidence in the governance framework.

Section B4: To what extent do you agree that the proposed code text accurately reflects our policy decision set out in the main document?

NGN agrees that Section B4 accurately reflects Ofgem’s policy decisions on SAF membership, including the use of an independent chair and a mix of independent members, Code Party Representatives and statutory consumer advocates. NGN supports the flexibility for SAF composition to be determined on a code-by-code basis.

Section B4.7 – SAF Membership Criteria

NGN considers that Section B4.7 could be strengthened by explicitly referencing conflicts of interest and fitness for role as part of the membership assessment criteria, to support transparency, confidence and effective governance of the SAF.

Section B6: To what extent do you agree that the proposed code text accurately reflects our policy decision set out in the main document?

NGN supports the provisions set out in Section B6 relating to the removal of SAF members, recognising the importance of accountability and effective participation. However, NGN seeks clarification in respect of Section B6.1, which provides that a SAF member may be removed where they fail to attend at least 50% of SAF meetings within any 12-month period, including attendance by an alternate.

NGN considers that a 50% attendance threshold is low and may risk undermining continuity, engagement and the effectiveness of the SAF. NGN would recommend a higher attendance threshold (for example, 75%), with appropriate discretion retained to account for extenuating circumstances and clearly defined exceptions, such as widespread disruption events (including public health emergencies).

Section B7: To what extent do you agree that the proposed code text accurately reflects our policy decision set out in the main document?

NGN agrees that Section B7 appropriately reflects Ofgem's policy decisions on the duties and impartiality requirements of SAF members. NGN supports the requirement for all SAF members to act impartially and not represent the interests of their appointing organisation.

NGN notes that careful monitoring of these arrangements will be important in practice, particularly for Code Party Representatives whose time commitment is supported by their employer, to ensure that the intended impartiality and independence of the SAF is maintained over time.

Q4: Are any amendments needed to the proposed code text to ensure it reflects the specific requirements for the BSC and REC?

NGN does not consider that amendments to the proposed SAF code text (Sections B1–B12) are required for either BSC or REC. The SAF arrangements appropriately reflect Ofgem's policy decisions and are capable of operating across different codes.

NGN notes that, given the breadth of the REC party base, particular care will be needed in practice to ensure balanced and representative SAF membership, effective use of specialist expertise, and transparent explanation by the Code Manager where SAF advice is not reflected in final decisions. These are matters of implementation and monitoring rather than drafting changes.

Q5: Do you have any views on whether conflict of interest provisions should be introduced under current panel arrangements?

While NGN broadly agrees that the proposed Code and Stakeholder Advisory Forum (SAF) text reflects Ofgem's policy intent, NGN considers it essential that the transition to the new code governance framework is managed to avoid any period of dual or conflicting licence obligations. In particular, as new Code Manager licence conditions take effect, corresponding licences from other code will need to be removed or disapplied concurrently. An example of this is Gas Transporter obligations under Standard Special Licence Conditions A11 (Network Code and Uniform Network Code), A12 (Joint Office Governance Arrangements) and A15 (Central Data Service Provider) will need to be removed or disapplied concurrently. This is necessary to ensure clarity of accountability, **prevent conflicting directions**, and **avoid the risk of parallel governance arrangements** operating for the same code functions during transition. We recommend the establishment of a forum to share best practice and transition and implementation learning. This would enable discussion of areas of ambiguity, including differing views on appropriateness, and support a smoother transition for all parties.

To support a smooth and effective transition, NGN recommends the establishment of a transition forum to enable the structured sharing of best practice and implementation learning. Such a forum would provide a consistent mechanism for addressing areas of ambiguity, including differing interpretations of what is considered appropriate, and support greater alignment and consistency across industry participants.

We also refer Ofgem to the specific comments raised elsewhere in our response in relation to:

- **Section A2.6** – the need to ensure safeguards are in place to prevent bias where the Code Manager provides assistance in the development of modification proposals; and
- **Section B4.7** – the introduction of additional measures to strengthen independence and fitness-for-role considerations for SAF membership.

General Feedback

The consultation documents are thorough and generally well organised, featuring clearly defined sections. More explicit information about the plan to include additional consultation questions in the decision, as well as guidance on how respondents should approach them, would have been valuable.

Specifically, presenting the reasoning behind these extra consultation questions—as well as the questions themselves—in a separate document, rather than referencing them as a secondary part of the main decision document, would have clarified their purpose for respondents and made navigation easier. This approach would also enhance navigation on the Ofgem website when responses are published and the final decision is issued, especially when applying filters like whether a consultation is open, closed, or closed with a decision.