

Code Governance Reform Team
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Contact:
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By email: industrycodes@ofgem.gov.uk

Ref: Implementation of energy code reform: template code text consultation

Dear Code Governance Reform team,

This response is from SP Energy Networks (SPEN). We own and operate the electricity distribution networks in the Central Belt and South of Scotland (SP Distribution plc) which serves approximately two million customers, and North Wales, Merseyside, Cheshire and North Shropshire (SP Manweb plc) which serves approximately one and a half million customers. We also own and maintain the electricity transmission network in Central and South Scotland (SP Transmission plc).

We welcome the opportunity to respond to the consultation on the draft template code text and SAF text, within the Energy Code Reform programme. However, we do note the significant volume of Ofgem codes consultations that have been published over the last number of years and the resource impacts this has on industry.

We continue to support the aims of code governance reform, and we are pleased to see that Ofgem has amended its position in a number of areas (e.g. Stakeholder Advisory Forum reappointment terms and derogations) following our and other stakeholder feedback.

Generally, we continue to be concerned about the challenge of consolidating many complex technical and commercial codes. This will likely be an extended process with heavy resource requirements.

We also continue to argue that for technical codes (as part of phase 3), we need to consider if amendments to standard code governance are needed (for example, to create a specific role for a technical committee within decision making to ensure that there are no unacceptable impacts on security of supply and/or system resilience).

We have set out a number of more detailed comments below on the code modification draft code text and the draft Stakeholder Advisory Forum (SAF) code text.

Code Modification draft code text

We welcome Ofgem's approach to structured engagement that emerges from the draft text on the code modification process, however we would want to ensure that stakeholder engagement is comprehensive, particularly where there is a small number of heavily impacted stakeholders such as Transmission Operators and Distribution Network Operators. This is particularly the case for future governance for codes like the STC (System Operator Transmission Owner Code) where only a small number of organisations are parties to the code.

We hope that there remains strong engagement throughout the code modification processes and in the lead up to any proposed code modifications. We believe that early, regular stakeholder engagement, occurring as part of any code modification process, would benefit the process and would ensure continued consumer benefit and protection via any code modifications. This would include engagement on any decision whether or not to constitute a working group for a specific code modification.

We welcome the new mitigation arrangements in the event of conflicts of interest. However, we note that Ofgem has not reflected our previous suggestion in appointing an independent technical committee, considering the code manager's new proposed influence and power. We suggest that Ofgem should ensure that the necessary technical expertise is considered in all decisions and mitigate any perceived issues around the security of supply and/or system resilience as the code manager is progressing. This is essential for the technical codes expected to be addressed as part of phase 3 which will look to consolidate the technical codes. These have a significantly different nature to the commercial codes. It is also imperative to ensure that those bound by licence with obligations related to safety and security have the necessary input and oversight. We are concerned that the right balance has not yet been struck between the need for technical expertise and avoiding conflict of interest. It remains difficult to understand Ofgem's thinking regarding this, in relation to the technical codes, as the consultation has been framed for the BSC and REC within phase 1 of the process. We consider that further discussion will be required ahead of phase 3 to ensure that the governance arrangements for technical codes are fit for purpose, and we would welcome further engagement with Ofgem on this issue.

Stakeholder Advisory Forum draft code text

We previously supported Ofgem's proposal that there should not be a fixed number of Code Party Representatives that can be appointed to the SAF, as this depends on the circumstances of the code. We note this position has changed, and the SAF is now proposed with a fixed number determined on a code-by-code basis. We would welcome further engagement with Ofgem on this, as we believe it is essential that technical expertise can be strongly considered for modification proposals, either through the SAF or a separate technical committee, as suggested previously.

We welcome Ofgem creating the option for Code Party Representatives to serve a third term, where insufficient nominations are received, as set out in B5.4 of the proposed SAF code text. The option of an additional 3-year term where required, over and above the two-consecutive terms for SAF membership, is an essential fallback option in scenarios where the right technical expertise might be difficult to find.

We encourage Ofgem to consider the need for continuity of technical code experts within the SAF, not only in the case where the single expert cannot attend a meeting, but in ensuring that there is overlap over a longer time horizon. We would therefore suggest two members of the SAF be Code Party Representatives to allow for this. This would mirror the two consumer representatives on the REC and BSC SAF, in that it recognises particularly impacted parties. Because expertise is such an acute issue for technical codes, given the small number of experts to pool from, and there is a lack of overlap of experts' terms as is currently proposed, we believe this would allow for legacy planning within SAF expertise and retention of knowledge that currently exists and ensures the effectiveness of codes, including codes such as SQSS.

We support the view that a SAF code modification report should mirror the structure used in the current code framework i.e. the use of Final and Draft Modification Reports. This approach would ensure a transparent and comprehensive overview, including the proposal, relevant discussions, and the SAF's opinion, all of which are essential for the code manager to inform the Authority's decision on the proposed modification.

Summary and General Feedback

We continue to support the code governance reform programme and are generally supportive of the proposed SAF and code modification texts. Our overarching concern remains in the area of **the technical codes**, as we do not have the comfort that the proposed code governance framework has sufficiently considered the specific safety and security aspects of the technical codes. In particular, we remain concerned this **will result in a lack of sufficient expertise in decision making positions, such as the SAF**.

Next Steps: Given the differences between the BSC and REC, and the technical codes, we would welcome a discussion on how these concerns can be mitigated and clear guidance on how the nuances required for technical codes have been reflected in the design of the SAF and code modification texts.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Lauren", enclosed within a thin black rectangular border.

Lauren Logan
Head of Transmission Regulation and Policy
(on behalf of SPEN)