

Decision

Implementation of energy code reform: final template code text

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On 6 March 2026, we published our draft template code text for the new code modification process and stakeholder advisory forums (SAFs) for consultation. We sought views on the template code text to ensure it was clear, workable and aligned with the wider aims of energy code reform. We received responses from organisations with an interest in energy code governance, including code administrators, suppliers, network operators and other stakeholders.

This document considers those responses and sets out our decisions on the final template code text.

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Executive summary

Reforming the energy 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.

In March 2026 we published our [implementation of energy code reform: second decision](#) (second implementation decision). That publication contained both our decision on the [second consultation on the implementation of energy code reform](#), and the draft template code text for the new [code modification process](#) and [stakeholder advisory forums \(SAFs\)](#) for consultation. This document summarises stakeholder responses to that consultation and sets out our decisions on the template code text for the code modification process and SAFs.

The template code text is intended to provide a harmonised basis for the code modification process and SAF arrangements across codes. However, we recognise that specific adaptations to the template code text will be needed for each code and therefore we intend to consult on these specific adaptations relative to each code. In the first instance, we intend to focus on the phase 1 codes, the Balancing and Settlement Code (BSC) and Retail Energy Code (REC) and plan to consult on those proposed adaptations in due course.

Future code modification process

This decision document sets out our decision on the template code text for the new code modification process, incorporating changes where we consider appropriate, in response to consultation feedback. The final template code text can be found in subsidiary document 1: final code modification template text. We have published two versions of the code modification text, a final version and a ‘marked-up’ version that clearly shows all changes made to the text since it was published for consultation in March 2026.

Stakeholder advisory forum

We also set out our decision on the template code text for the stakeholder advisory forums, including changes where we consider appropriate in response to consultation feedback. The final SAF template code text can be found in subsidiary document 2: final SAF template text. We have published two versions of the SAF code text, a final version and a ‘marked-up’ version that clearly shows all changes made to the text since it was published for consultation in March 2026.

Decision Implementation of energy code reform: final template code text**Conflicts of interest**

In addition, we have summarised stakeholder views on conflict of interest provisions under current panel arrangements and set out our decision to recommend that current code panels and code administrators review their existing conflict of interest measures and, where appropriate, seek to align the current arrangements with the SAF conflict of interest provisions prior to a code manager being appointed.

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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 governance process for updating the codes with a new framework, as enabled by the Act.
- 1.4 The reforms support Ofgem’s [Market Regulatory Strategy and Vision to 2030](#), 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 more quickly and with greater confidence. Harmonising the processes across the code, consolidation and simplification of the codes is intended to 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 reforms introduce 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 published our consultation on the SDS-2 in April 2026 and will publish the decision later this year.

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- Ofgem selecting code managers for each code – Ofgem issued a minded-to grant notice for phase 1 code managers in August 2025. We also published an invitation for expressions of interest for phase 2 code manager roles in January 2026. Following this, we recently published our decision to consider the Retail Energy Code Company for non-competitive selection as the code manager for the electricity commercial code. We have also decided to consider Xoserve, in partnership with Encodar (as the Joint Office of Gas Transporters) and Talan, for non-competitive selection as the code manager for the gas network code. Both candidates have been invited to submit licensing assessment forms.
- Government, working with Ofgem, published the final code manager standard licence conditions in March 2026. The Secretary of State determined the code manager standard licence conditions for the purposes of Sections 33(1) and 81(2) of the Utilities Act 2000 in May 2026.
- Ofgem turning the high-level design of the new governance framework into detailed licence and code modifications to bring the new framework into effect. This document helps deliver this new governance framework.

1.7 Given the scale of the reforms, we will be delivering the new governance framework in three phases, starting with phase 1 which covers the BSC and REC.



1.8 Our work on the code manager standard licence conditions and template code text will lay the foundation for all three phases of implementation. The template code text will establish a consistent approach to the code modification process across all codes. 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 which we will consult on in due course. We are aiming to be ready for designation of the phase 1 codes and appointing the first phase 1 code manager 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 process to appoint the code managers for the REC and the BSC.

1.9 This document sets out a summary of the feedback we received in response to the template code text consultation and our decision on the template code modification and SAF code text. In addition, we have also set out our decision to recommend that current code panels and code administrators review their

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existing conflict of interest measures and, where appropriate, seek to align them with the SAF conflict of interest provisions.

Context and related publications

Below is a summary of consultations and decisions that have been published to date:

- [Energy code manager standard licence conditions: determination notice](#) (May 2026)
- [Establishing a harmonised prioritisation process in the Industry Codes: decision](#) (April 2026)
- [Energy code reform phase 1: transitional measures and code changes](#) (April 2026)
- [Consultation on the draft second preliminary Strategic Direction Statement for industry codes](#) (April 2026)
- [Energy code reform: Code manager licence conditions and code modification appeals to the CMA](#) (March 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 on code manager selection](#) (May 2025)
- [Second joint government and Ofgem consultation on code manager licence conditions and code modification appeals to the CMA](#) (May 2025)
- [Energy code reform: second implementation consultation](#) (April 2025)
- [The Code Manager Selection Regulations 2024](#) (October 2024)
- [Energy Code Reform: Government response to the consultation on code manager licensing and secondary legislation](#) (October 2024)
- [Implementation of energy code reform: decision | Ofgem](#) (August 2024)
- [Energy code reform: implementation consultation](#) (January 2024)
- [Energy Act 2023](#) (October 2023)
- [Call for Input: Energy Code Governance Reform](#) (December 2022)
- [Government response to the consultation on Energy Code Reform](#) (April 2022)
- [Design and Delivery of the Energy Code Reform: consultation](#) (July 2021)

Our decision-making process

- 1.10 We received 23 responses from a range of stakeholders in response to our consultation. We carefully considered all responses raised by stakeholders, even where they are not specifically mentioned in this decision document. We have published all non-confidential responses on our website.

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- 1.11 Overall, the theme of the responses was positive, with many respondents expressing their general support for the proposals. No respondents raised any concerns regarding our general direction or about the code text as a whole. The large majority of responses were focused on specific details within the code texts.
- 1.12 Most respondents did not answer all the questions, in particular where we asked for an indication of level of agreement. This means that we have a high percentage (60%) of ‘no response’ for many of the questions. This makes it harder to draw any clear conclusions from the quantitative data. However, we received very few responses of ‘disagree’ or ‘strongly disagree’ in total across all questions.
- 1.13 Due to the nature of the consultation, the feedback we received was detailed and focused on the wording of the proposed code text, with many respondents suggesting additions or amendments to the text. We carefully considered all the points that were raised but have not responded in this document to every point we received.
- 1.14 This decision document does, however, set out the policy areas where we received more substantive feedback, and describes any changes made and our rationale for those changes. For the majority of these, the changes made to the template code text have been made to clarify our policy position as set out in the [second implementation decision](#). In some instances, there is a minor change to our consultation position, and this is clearly indicated in the text.
- 1.15 Where the code text has been changed to improve clarity or readability, we have not described these changes in this decision document. However, we have published two versions of the code text, a final version and a ‘marked-up’ version that clearly shows all changes made to the text since it was published for consultation in March 2026.

Next Steps

- 1.16 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.

Phase 1 consultation decision

- 1.17 We expect to publish our decision on the phase 1 consultation by the end of August 2026. The decision will confirm our approach to code changes in key policy areas for the phase 1 codes and set out the licence terms and amended licence conditions that will apply to the code manager candidates.

Statutory consultation process

- 1.18 We intend for the final code text template published alongside this decision document to form the basis for the code modification process across all codes.

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Following the publication of this decision and the phase 1 consultation decision, we intend to use the template code text for both the code modification process and SAF as the basis for our upcoming consultation on the specific code text for the BSC and the REC. We also intend to consult on associated consequential changes to licence conditions in accordance with schedule 12 of the Act.

Phase 1: code manager selection

- 1.19 We will continue to run the implementation and assurance (I&A) process with the phase 1 code manager candidates, including monthly readiness checkpoints and a final readiness assessment before making a decision on licence grant.

Phase 2: Code manager selection and consolidation

- 1.20 We published an invitation for expressions of interest for phase 2 code manager roles in January 2026. Following this, we recently published our decision to consider the Retail Energy Code Company for non-competitive selection as the code manager for the electricity commercial code. We have also decided to consider Xoserve, in partnership with Encodar (as the Joint Office of Gas Transporters) and Talan, for non-competitive selection as the code manager for the gas network code, with both candidates now invited to submit licensing assessment forms.

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2. Code modification process

Section summary

In this section we summarise responses to the proposed code text for the code modification process and our decisions, including our rationale for any substantive changes to the code text. This section should be read in conjunction with the finalised code modification template text in subsidiary document 1.

Background

- 2.1 In the [second implementation decision](#), we set out our policy decisions on the code modification process and stakeholder advisory forum (SAF), including our rationale for any changes made since the [second implementation consultation](#). Alongside that decision document, we consulted on a draft code text template which reflected our policy decisions.
- 2.2 This section summarises stakeholder feedback on the [draft code modification text](#) and sets out our decisions on the final code modification template text (see subsidiary document 1).

Questions

- Q1. To what extent do you agree that the proposed code text accurately reflects our policy decisions 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?

Consultation position

- 2.3 The [draft code modification text](#) we published for consultation was drafted to reflect the policy decisions set out in the [second implementation decision](#). The proposed text included provisions for:
- the roles of the code manager and SAF throughout the modification process, including the different levels of engagement between the code manager and the SAF
 - the pre-modification process, including the pre-modification triage criteria
 - who can raise a modification, including the proposed assessment criteria
 - ownership of a modification
 - the information that modifications must include, and how modifications are assessed (including materiality, prioritisation category, and progress)
 - cross-code working requirements, including a requirement for the code manager to attend meetings of the CCSG

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- the code manager’s responsibility for determining the timeframe for progressing a modification, including whether a modification should proceed to consultation or whether a workgroup is required
- a principles-based approach to accepting alternative modifications
- consultation arrangements, including that modification proposals will typically be consulted on once, with scope for additional consultation where necessary
- the code manager’s responsibility to produce the draft modification report for consultation, including an explanation of how the SAF’s views have been taken into account
- production of the final modification report by the code manager, and a requirement for the SAF chair to summarise the SAF’s view for inclusion in the report
- a requirement for the code manager to explain why its final view differs from the SAF view on whether a modification should be implemented, where relevant.

Summary of feedback and changes to the code modification template text

Section A1: General

Consultation position

- 2.4 Section A1 of the [draft code modification text](#) sets out the proposed purpose of the code modification procedures and establishes the primacy of the code manager licence where any conflicts arise between the code text and the licence.

Summary of consultation feedback

- 2.5 Of the respondents that indicated their level of agreement, seven agreed with the drafting of A1 and one disagreed.

Decision and rationale

- 2.6 We have decided to proceed with our drafting of section A1, with minor amendments made to improve clarity and readability.

Section A2: Roles and responsibilities

Consultation position

- 2.7 Section A2 of the [draft code modification text](#) covers the proposed roles and responsibilities of the code manager and the proposer.

Summary of consultation feedback

- 2.8 Of the respondents that indicated their level of agreement, seven agreed with the drafting of A2 and one disagreed.

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- 2.9 We have decided to proceed with our drafting of section A2, with minor amendments made to improve clarity and readability.

Section A3: Code manager and SAF engagement

Consultation position

- 2.10 Section A3 of the [draft code modification text](#) sets out proposals on the types of engagement between the code manager and the SAF and proposes what the SAF's assessment of a modification proposal should consist of.

Summary of consultation feedback

- 2.11 Of the respondents that indicated their level of agreement, six agreed with the drafting of A3, one neither agreed nor disagreed, and one had no view.

Decision and rationale

- 2.12 We have decided to proceed with our drafting of section A3, with minor amendments made to improve clarity and readability.

Section A4: Change register

Consultation position

- 2.13 Section A4 of the [draft code modification text](#) details the proposed requirements of the change register.

Summary of consultation feedback

- 2.14 Of the respondents that indicated their level of agreement, six agreed with the drafting of A4, one strongly agreed, and one had no view.

Decision and rationale

- 2.15 We have decided to proceed with our drafting of section A4, with minor amendments made to improve clarity and readability.

Section A5: Requesting ownership

Consultation position

- 2.16 Section A5 of the [draft code modification text](#) sets out the proposed process for when the ownership of an issue or modification proposal changes between parties. In the [second implementation decision](#) we set out our intention to take forward our proposal to require the code manager, or other party who accepts ownership of a modification proposal or issue, to demonstrate there is no conflict of interest, both at the start as well as during the duration of the modification proposal.

Decision Implementation of energy code reform: final template code text**Summary of consultation feedback**

- 2.17 Of those respondents that indicated their level of agreement, six respondents agreed with the drafting of A5, one neither agreed nor disagreed, and one had no view. No respondents disagreed.
- 2.18 A few respondents questioned the conflict of interest requirement and explained that it was likely that a stakeholder would only take over ownership of an issue or modification proposal where they had an interest in it, and questioned if it was necessary, when the original proposers did not have to undertake such a declaration.

Decision and rationale

- 2.19 We have decided to proceed with our drafting of section A5, with minor amendments made to improve clarity and readability and the changes outlined below.
- 2.20 We have reconsidered our position on these conflict of interest declaration requirements based on the stakeholder feedback. We agree that a party would only be likely to take on ownership of a modification proposal or an issue where they have an interest, and we consider that requiring them to declare that they have no conflict of interest could disincentivise stakeholders from taking on ownership. We also agree that requiring stakeholders who take on ownership to declare that they have no conflict of interest is excessive when no such requirement is placed on the original proposer.
- 2.21 Therefore, we have decided to change from the proposed position set out in the previous consultation and have removed the requirement for parties taking on ownership of a modification proposal or issue to demonstrate they have no conflict of interests.

Section A6: Withdrawals**Consultation position**

- 2.22 Section A6 of the [draft code modification text](#) covers the process for a proposer of a modification or the code manager to withdraw a modification proposal.

Summary of consultation feedback

- 2.23 Of the respondents that indicated their level of agreement, six respondents agreed with the drafting of A6, one disagreed with the drafting, and one had no view.
- 2.24 One stakeholder questioned how modifications that overlap with one another should be treated within the modification process, pointing out that sections A6 and A7 do not cover this explicitly in the template code text.

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Decision and rationale

- 2.25 We have decided to proceed with our drafting of section A6, with minor amendments made to improve clarity and readability and the changes outlined below.
- 2.26 We have decided to add sections A9.22-A9.25 to provide provisions for amalgamating modifications where appropriate and have added provisions for amalgamated modifications throughout the modification process. We note that detail was not provided on amalgamating modification proposals in the [draft code modification text](#) that we consulted upon in March 2026. However, we consider that the modification procedures should contain provisions for when modifications are very similar in nature and can be amalgamated. This mirrors existing practice in the BSC, CUSC, Grid Code, SQSS, and the STC. We consider that this will help to avoid the repeated effort and cost involved in progressing similar modifications, maximising the efficiency of the code modification process.

Section A7: Pre-modification process

Consultation position

- 2.27 Section A7 of the [draft code modification text](#) sets out the proposed pre-modification process within the code modification procedures. In the [second implementation decision](#) we stated our intention to take forward our proposals to introduce a harmonised, non-mandatory pre-modification process in the proposed code text.

Summary of consultation feedback

- 2.28 Of the respondents that indicated their level of agreement, five respondents agreed with the drafting of A7, two neither agreed nor disagreed, and one had no view. No respondents disagreed with the drafting.
- 2.29 We received several comments from respondents querying what the pre-modification applies to, and how this relates to the processing of issues.
- 2.30 A few respondents noted, in relation to A7.1 on the pre-modification process, that the pre-modification process not being a mandatory step for all modification proposals was confusing. They considered that this implies that the pre-modification process might be mandatory for some modification proposals without specifying which modification proposals these are.

Decision and rationale

- 2.31 We have decided to proceed with our drafting of section A7, with minor amendments made to improve clarity and readability and the changes outlined below.

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- 2.32 We have decided to amend the drafting to state that the pre-modification process is not mandatory for any modification proposal.
- 2.33 We have decided to amend the drafting above to more clearly reflect the policy intention that the pre-modification process is not mandatory for any given modification proposal. This supports the policy intent outlined in [the second implementation decision](#).

Summary of consultation feedback

- 2.34 A couple of stakeholders raised questions around our titling of the subsection A7.7-A7.11 as ‘Pre-Modification triage criteria’, when instead it covers the process for raising issues.

Decision and rationale

- 2.35 We agree with the concerns raised by respondents and note that there is no ‘pre-modification’ defined in the text that can be triaged. We have therefore amended the title of this section to be ‘Issue triage criteria’.

Section A8: Raising modification proposals

Consultation position

- 2.36 Section A8 of the [draft code modification text](#) sets out the proposed process and requirements for parties raising modification proposals. It also details the proposed process for the code manager rejecting such modification proposals and a proposer’s ability to appeal such a decision.

Summary of consultation feedback

- 2.37 Of the respondents who indicated their level of agreement, six respondents agreed with the drafting of A8, one neither agreed nor disagreed, and one had no view. No respondents disagreed with the drafting.
- 2.38 One stakeholder commented that additional detail is required in the change register to ensure that changes to prioritisation categories are suitably transparent and visible. They suggested providing the date of the update and details of the impact on other modification proposals.

Decision and rationale

- 2.39 We have decided to proceed with our drafting of section A8, with minor amendments made to improve clarity and readability and the changes outlined below.
- 2.40 We agree with the need to maximise transparency within the prioritisation process and have decided to amend the code text relevant to the change register to require it to include the dates of prioritisation category changes.

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- 2.41 We have decided not to add a new requirement to include details of the impact of a change in priority on other modifications. This is because the reasons for prioritisation category changes are included in the register, so if the change to a prioritisation category of one modification causes another to also change, this would already be recorded.

Section A9: Modification path

Consultation position

- 2.42 Section A9 of the [draft code modification text](#) sets out the proposed different paths that modifications can follow and the process for determining a modification's path. In the [second implementation decision](#) we stated our intention to take forward our proposals to retain the existing appeal route on self-governance decisions to the Authority.

Summary of consultation feedback

- 2.43 Of the respondents who indicated a level of agreement, five respondents agreed with the drafting of A7, one respondent strongly agreed, one had no view, and one respondent disagreed with the drafting.
- 2.44 A couple of respondents requested clarity on whether modifications can be progressed while an appeal to the Authority on the code manager's decision to categorise a modification proposal as self-governance is considered, or if the modification is paused during an appeal. This follows the precedent currently set out in the BSC and helps to prevent wasted effort from modifications being progressed through a modification path that could later be changed.
- 2.45 One stakeholder raised concerns that if the appeals process held modifications up, then parties could raise appeals with the purpose of delaying a modification from progressing.

Decision and rationale

- 2.46 We have decided to proceed with our drafting of section A9, with minor amendments made to improve clarity and readability and the changes outlined below.
- 2.47 We have decided to introduce a requirement into the code text that modification proposals must be paused while pending the outcome of an appeal to the Authority on the code manager's decision to categorise a code modification as self-governance. This provides additional detail on the process set out in the [draft code modification text](#). We have decided to take forward the position on self-governance decision appeals set out in the [second implementation decision](#). We have evaluated stakeholder concerns and have built upon our initial policy position by adding further detail.

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- 2.48 We consider it important for modifications to be paused whilst an appeal on self-governance is processed in order to prevent wasted effort in processing modifications whose modification path may change. We understand concerns around the appeals process being used to introduce delays into the modification's progression. However, as set out in the code manager standard licence conditions (27.12) on appeals, there are specific grounds that must be satisfied for appeals to be considered. We expect that any appeal raised with the intention to cause a delay would not satisfy these criteria and therefore is likely to be declined by the Authority.

Section A10: Urgency and prioritisation**Consultation position**

- 2.49 Section A10 of the [draft code modification text](#) sets out proposals on how urgency and prioritisation determinations are to be made and on how prioritisation determinations are to be reviewed and can be adjusted.

Summary of consultation feedback

- 2.50 Of the respondents who indicated a level of agreement, six respondents agreed with the drafting of A10, one had no view, and one respondent disagreed with the drafting.
- 2.51 One stakeholder suggested providing further detail on how urgent modifications progress through the modification procedures.

Decision and rationale

- 2.52 We have decided to proceed with our drafting of section A10, with minor amendments made to improve clarity and readability and the changes outlined below.
- 2.53 We have amended the template code text to remove fast track self-governance modifications from the prioritisation process. This had been partially done in the [second implementation decision](#), but we have amended the final code modification template text to ensure that this is done throughout the text. This aligns the final code modification template text with the [April 2026 decision](#) to implement the harmonised code modification prioritisation process, where we decided to exclude fast track self-governance modifications from the prioritisation process.
- 2.54 We agree with consultation feedback that additional detail is required to differentiate urgent modifications from other modification paths, in order to appropriately reflect the nature of their urgency.
- 2.55 We did not provide detail on our policy positions in relation to urgent modifications in the [second implementation decision](#). We did include some code

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text on the urgency process, which we are supplementing with this decision, rather than changing any policy intent.

- 2.56 We have decided to add in a new paragraph at A10.3 to allow procedure and timetable for urgent modification proposals to deviate from normal modification procedures subject to consultation with SAF. We have also added in this requirement to consult with SAF with the rest of the SAF consultation requirements in A3.4.

Section A11: Assessment of modification proposals**Consultation position**

- 2.57 Section A11 of the [draft code modification text](#) set out proposals around the modification plan for each modification proposal and the details of what it should contain.

Summary of consultation feedback

- 2.58 Of the respondents that indicated their level of agreement, six agreed with the drafting of A11, one strongly agreed and one neither agreed nor disagreed.
- 2.59 One respondent raised that the modification plan should include the rationale for the proposed modification path to align with the policy decision set out in the [second implementation decision](#).

Decision and rationale

- 2.60 We have decided to proceed with our drafting of section A11, with minor amendments made to improve clarity and readability, and the change outlined below.
- 2.61 We have added a new provision to A11.2, A11.2e, which sets out the contents of the Modification Plan, to explicitly include the rationale for the proposed modification path. We confirm that this was the policy intention and we have now made this clearer in the draft code text drafting.

Section A12: Workgroups**Consultation position**

- 2.62 Section A12 of the [draft code modification text](#) set out proposals on the operation and membership of workgroups, and their assessment of the modification proposal through the workgroup report.

Summary of consultation feedback

- 2.63 Of the respondents that indicated their level of agreement, six agreed with the drafting of A12, one neither agreed nor disagreed and one had no view.

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- 2.64 A few respondents commented on A12.9, which states that the workgroup members must agree the workgroup report. They said that it was unclear what the method would be to agree the report and that it would be rare for a workgroup to unanimously agree on everything.
- 2.65 One respondent said that it was not clear in the current drafting that workgroup reports should represent the full range of views of the workgroup members, not just the majority view, so that wider industry is presented with the full picture to make an informed view.

Decision and rationale

- 2.66 We have decided to proceed with our drafting of section A12, with minor amendments made to improve clarity and readability, and the changes outlined below.
- 2.67 We agree that the wording of A12.9 could be clearer. Our intention when drafting the code text was that "agreeing the report" meant that the workgroup members agree that it is an accurate record of the discussions and opinions put forward, not necessarily that everyone agrees with the solution.
- 2.68 We have therefore amended the wording of A12.9 (now A12.16) to specify that the report is reviewed by workgroup members in order to agree that it is an accurate record of the workgroup discussions.
- 2.69 We agree that it is important that the workgroup report captures the full range of opinions of the workgroup, including any minority or alternative views that are raised during the workgroup discussions. We have, therefore, decided to add some additional wording to A12.15d (to make it clear that the workgroup report should contain all the views of the workgroup).
- 2.70 We believe that these changes to the code text will make our policy intention clearer and reduce any potential confusion.

Section A13: Consultation

Consultation position

- 2.71 Section A13 in the [draft code modification text](#) set out the proposals for the formation of the draft modification report and the consultation process. In the [second implementation decision](#) we stated our intention to take forward our proposals that the default position will be that modification proposals are consulted on once, and that the code manager would be able to carry out additional consultations if required.

Summary of consultation feedback

- 2.72 Of the respondents that indicated their level of agreement, seven agreed with the drafting of A13, and one respondent had no view.

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- 2.73 One respondent raised that having a requirement for SAF to review the modification proposal and input into the draft modification report prior to consultation served little purpose and would extend the timeline for the modification process.
- 2.74 A couple of respondents raised that it should be clearer in the code text that the written SAF assessment should cover the full range of views of the SAF and set out the reasons underpinning those views, so that the Authority is aware of these when making their decision.

Decision and rationale

- 2.75 We have decided to proceed with our drafting of section A13, with minor amendments made to improve clarity and readability, and the changes outlined below.
- 2.76 We agree that having the SAF review the draft modification report as a mandated step for every modification proposal is unnecessary and will extend the timeline for the modification process. As one of the aims of energy code reform is to reduce complexity, we have therefore decided to remove this requirement.
- 2.77 However, we consider that in certain circumstances there may be value in the SAF reviewing a modification proposal before the consultation phase and sharing their views with industry in the draft modification report, for example if the impact of the code modification is particularly complex or far-reaching. We have therefore added a provision (A13.5) that gives the code manager the option to bring a code modification to SAF for discussion before the consultation phase, where they think this is appropriate. Where this occurs, A13.5 also specifies that the summary of this discussion should be included in the draft modification report.
- 2.78 We agree this it is important that the written SAF assessment should cover the full range of views of the SAF and their rationale, and we have therefore added provision A14.6 to make this clear.

Section A14: Final modification report

Consultation position

- 2.79 Section A14 of the [draft code modification text](#) set out the proposals for the final modification report.

Summary of consultation feedback

- 2.80 Of the respondents that indicated their level of agreement, seven agreed with the drafting of A14, and one respondent had no view.

Decision and rationale

- 2.81 We have decided to proceed with our drafting of section A14, with minor amendments made to improve clarity and readability.

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Section A15: Alternative modifications

Consultation position

2.82 Section A15 of the [draft modification code text](#) set out the proposed arrangements for alternative modification proposals. In the [second implementation decision](#) we stated our intention to take forward our proposals to move away from a numerical limit on alternatives to introduce a principles-based approach, where alternatives would have to meet a set of criteria, assessed by the code manager, in order to be accepted into the process. We also set out that we intended to take forward our proposals that only the code manager and workgroup can raise alternatives.

Summary of consultation feedback

- 2.83 Of the respondents that indicated their level of agreement, five respondents agreed with the drafting of A15, two respondents disagreed and one respondent had no view.
- 2.84 One respondent raised that there needed to be greater clarity on the criteria used to assess alternative modification proposals. Originally in the code text we had stated that proposals would be assessed against the assessment criteria, set out in A8.10, and additional criteria for alternative modification proposals, set out in A15.5. This reflected the policy position we had set out in the [second implementation decision](#). However, the respondent raised that not all the criteria in A8.10 would apply to alternative modification proposals which could potentially cause confusion.
- 2.85 In the [second implementation decision](#), we set out that we intended to take forward our proposals that the code manager and the workgroup were the only parties who could raise alternative modification proposals. However, several respondents raised that the current wording on who could raise an alternative modification proposal was unclear. The draft code modification text wording did not specify if the alternative modification proposal could only be raised by the agreement of the whole workgroup, and the process for this, or if individual member of the workgroup could raise an alternative modification proposal.

Decision and rationale

- 2.86 We have decided to proceed with our drafting of section A15, with minor amendments made to improve clarity and drafting and the changes outlined below.
- 2.87 On reviewing the criteria, we agree that not all the assessment criteria apply to alternative modification procedures, and we also identified repetition between the assessment criteria in A8.10 and the criteria in A15.5 (now A15.4). We have, therefore, decided to remove the requirement that alternative modification proposals must be assessed against the assessment criteria in A8.10. We believe

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that the criteria set out in A15.5 (now A15.4) are sufficient to support the policy intent set out in [the second implementation decision](#) to avoid multiple similar alternatives and ensure that all alternatives accepted into the modification process are of good quality and add value to the process of finding the best solution to the problem. The final code modification template text specifies that the proposals will be assessed against the criteria in A15.5 (now A15.4) only, which will make the process clearer and avoid any confusion between the criteria.

- 2.88 After careful consideration of the code text and feedback from respondents, we have also decided to update the code text to make it clear that an alternative code modification can be raised by the code manager or by members of the workgroup. We consider that this provides clarity and avoids creating complexity where the whole workgroup has to agree on an alternative modification proposal. We consider that the rest of the provisions in A15 will ensure good quality alternative modification proposals.

Section A16: Decision**Consultation position**

- 2.89 Section A16 of the [draft code modification text](#) set out proposals on how decisions on code modifications are made.

Summary of consultation feedback

- 2.90 Of the respondents that indicated their level of agreement, six agreed with the drafting of A16, one respondent neither agreed nor disagreed and one had no view.

Decision and rationale

- 2.91 We have decided to proceed with our drafting of section A16, with minor amendments made to improve clarity and readability.

Section A17: Authority-led modifications

- 2.92 In response to feedback from the consultation and consideration of the structure of the [draft code modification text](#) we have decided to swap the order of sections 17: Significant code review and section 18: Authority-led modification in the template code text. These sections therefore follow in their new order.

Consultation position

- 2.93 Section A17 (formerly A18) of the [draft code modification text](#) set out the proposals on Authority-led modifications.

Summary of consultation feedback

- 2.94 Of the respondents that indicated their level of agreement, five agreed with the drafting of A17, three had no view and one neither agreed nor disagreed.

Decision Implementation of energy code reform: final template code text**Decision and rationale**

2.95 We have decided to proceed with our drafting of section A17, with minor amendments made to improve clarity and readability.

Section A18: Significant Code Review

Consultation position

2.96 Section A18 of the [draft code modification text](#) set out the proposals for significant code review.

Summary of consultation feedback

2.97 Of the respondents that indicated a level of agreement, five agreed with the drafting of A18, two had no view and one neither agreed nor disagreed.

Decision and rationale

2.98 We have decided to proceed with our drafting of section A18, with minor amendments made to improve clarity and readability.

Section A19: Direct Code Modifications

Consultation position

2.99 Section A19 of the [draft code modification text](#) set out the proposals for direct code modifications.

Summary of consultation feedback

2.100 Of the respondents that indicated a level of agreement, six agreed with the drafting of A19, one strongly agreed and one had no view.

Decision and rationale

2.101 We have decided to proceed with our drafting of section A19, with minor amendments made to improve clarity and readability.

Section A20: Implementation

Consultation position

2.102 Section A20 of the [draft code modification text](#) set out the proposals for the implementation of code modifications.

Summary of consultation feedback

2.103 Of the respondents that indicated a level of agreement, six agreed with the drafting of A20, one neither agreed nor disagreed and one had no view.

Decision and rationale

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2.104 We have decided to proceed with our drafting of section A20, with minor amendments made to improve clarity and readability.

Section A21: Cross-code working

Consultation position

2.105 Section A21 of the [draft code modification text](#) sets out the proposed requirements in relation to cross-code working. In the [second implementation decision](#), we set out our intention to proceed with our proposal to use the Cross Code Steering Group (CCSG) as a basis for an updated cross-code process.

Summary of consultation feedback

- 2.106 Of the respondents that indicated a level of agreement, seven respondents agreed with the drafting of A21, and one neither agreed nor disagreed.
- 2.107 One respondent noted that the lead code manager should consider the timeline required to deliver changes to the consequential code. Another respondent commented that the code text lacks detail on the role of the CCSG chair. One respondent suggested that this section lacks detail on how the CCSG will operate during the transitional period when some codes do not yet have a code manager appointed.

Decision and rationale

- 2.108 We have decided to proceed with our drafting of section A21, with minor amendments made to improve clarity and readability and the changes outlined below.
- 2.109 We have decided to add a requirement to the code text to require the code manager of the lead code to consult with affected codes to agree and publish a timetable for both the lead code modification and any consequential modifications. This responds to feedback that the lead code manager should take account of the time required to deliver consequential modifications. While we originally intended A21.2(b) of the [draft code modification text](#) to achieve this outcome, we recognise that the drafting did not clearly reflect our intended policy position. We agree that the lead code manager should consider the timeline required to deliver consequential modifications and consider that agreeing upon a timetable will support effective coordination across codes. We have added a provision at A21.2(c) of the final code modification template text to reflect this requirement.
- 2.110 We acknowledge feedback that the [draft code modification text](#) did not set out arrangements for the CCSG chair. While the [second implementation decision](#) confirmed that Ofgem would not chair the CCSG, it did not specify alternate chairing arrangements. We are recommending that the CCSG chair could rotate across the codes, with each code manager serving a 12-month term. We consider

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that this information could be reflected in the CCSG terms of reference. We consider that our recommended approach could encourage shared ownership of the group, support collaboration across codes, and help to promote independence. We are not putting any additional provisions in the code to reflect this suggestion and we recognise that the CCSG may determine a different charring arrangement if it considers that this would better support effective cross-code working.

- 2.111 We have decided not to include any additional provisions in the code text relating to the operation of the CCSG during the transition period. We acknowledge respondent feedback that the code text lacks detail on how the CCSG will operate during the transition period. We recognise that during the transition, some codes will be subject to the new code manager framework while others will remain under existing arrangements. Existing requirements, including the Code Administration Code of Practice (CACoP) applicable to code administrators, obligations included in the code manager standard licence conditions, and code modification text should support cross-code coordination during this period. We do not consider it appropriate for this particular code text to provide information on the transitional arrangements. The code text is intended to establish the arrangements that will apply under the new framework rather than arrangements that are only required during transition.
- 2.112 We will provide further clarity on existing cross-code mechanisms and our expectations during this hybrid governance period as part of our upcoming decision on the [consultation on the draft second preliminary SDS](#).

Section A22: Reasonableness Criteria and the SDS**Consultation Position**

- 2.113 Section A22 of the [draft code modification text](#) covers the reasonableness criteria for cooperation. In the [second implementation decision](#), we set out our intention to proceed with the inclusion of refined reasonableness criteria for cooperation in the code text.

Summary of Consultation Feedback

- 2.114 Of the respondents that indicated their level of agreement, one respondent strongly agreed with the drafting of A22, six agreed, and one neither agreed nor disagreed with the drafting.
- 2.115 Three respondents suggested adding further detail to A22.2 in order to ensure requests for cooperation are appropriate and targeted. In particular, one respondent suggested that the term ‘reasonable steps’ be clearly defined, while another respondent asked for clarity on what constitutes sufficient cooperation.
- 2.116 Three respondents suggested that code managers should produce guidance that explains expectations around cooperation requests for code parties. One

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respondent also suggested that code managers should be required to maintain a shared industry calendar.

Decision and rationale

- 2.117 We have decided to proceed with our drafting of the code text for A22. We have accommodated minor amendments to the text to improve clarity and readability, including amendments to make clearer the matters that code managers must have regard to when issuing requests for cooperation.
- 2.118 We have decided not to provide further detail on what constitutes sufficient cooperation and ‘reasonable steps’ in A22.2. While we agree that code managers should ensure requests for cooperation are appropriate and targeted, the suggested amendments would be too prescriptive for the template code text. Instead, we have amended the code text to include that requests for cooperation by the code manager should be proportionate and reasonable. We consider that our amendment is sufficient to address this concern, and we would expect code managers to use their judgement when issuing requests for cooperation.
- 2.119 We have decided not to proceed with requiring code managers to provide guidance for cooperation requests and maintain a shared industry calendar. We agree that the production of guidance would be helpful for code parties to understand the expectations around requests for cooperation by the code manager. We also agree that it could also be useful for a shared industry calendar to be maintained by the code manager. However, we view both suggestions as beyond the scope of the template code text and their inclusion as overly prescriptive. Instead, code managers and industry may wish to develop these resources outside of the code text obligations.

Section A cross-cutting themes: Timelines

Summary of consultation feedback

- 2.120 Across sections A1-A22, many stakeholders suggested introducing additional specific timelines or deadlines to activities or requirements set out within the code modification procedures.

Decision and rationale

- 2.121 We agree with stakeholders that incorporating defined timelines for actions helps provide certainty for stakeholders and supports effective planning. We have therefore introduced several amendments across the code text to introduce specific deadlines or timelines into parts of the code modification process. For example, we have added to A4.2 that where the code manager accepts an issue or modification proposal, the code manager must inform the proposer within 5 working days for urgent modification proposals, or 20 working days for issues and modification proposals that are not urgent.

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2.122 In some areas, we agree that providing timelines is helpful. However, in some parts of the code text, rather than setting specific timescales, we have indicated the speed at which we consider actions should be completed. This includes promptly, in a timely manner, and as soon as reasonably practicable. We will consider whether additional specificity is required when we consult on the proposed code text for each code pursuant to schedule 12 to the Act.

2.123 Finally, where we consider that existing timelines are sufficiently detailed or that no timelines are necessary, we have not amended the code text.

Specific amendments to the template code text for individual codes

2.124 In the [second implementation decision](#), we set out that the code text will establish a consistent approach to the code modification process across all codes. However, we recognised that specific adaptations will be needed to reflect the requirements for each code. We welcomed stakeholder views on specific amendments that may be needed for the phase 1 codes.

2.125 Several respondents put forward suggestions for specific amendments for the BSC and REC codes. We will consider these and provide more detail in the upcoming future consultations pursuant to schedule 12 to the Act, in which we intend to set out our proposals on the specific code text for the BSC and REC.

Next steps

2.126 Subsidiary document 1 sets out the final code modification template text. We recognise that code-specific adjustments will be required to reflect the particular requirements for each code. We intend for this template to form the basis for the proposed code modification process for each code, subject to consultation pursuant to schedule 12 to the Act.

2.127 We intend to consult on proposed adjustments to the final code modification template text for the phase 1 codes under schedule 12 to the Act in due course.

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3. Stakeholder Advisory Forum

Section summary

In this section we summarise responses to the draft SAF template code text and our decisions, including our rationale for any substantive changes to the code text. This section should read in conjunction with the final SAF template text in subsidiary document 2.

Questions

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

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

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

Background

- 3.1 The SAF will play an important role in the updated code modification process, including providing advice, support and assistance to the code manager in carrying out its function, as well as assessing code modifications and voting on whether they better facilitate code objectives.
- 3.2 This section summarises stakeholder feedback on the [draft SAF code text](#) and sets out our decisions on the final SAF template text (see subsidiary document 2). The final SAF template text will form the basis of the SAF arrangements for each code, with amendments made where necessary to reflect code-specific requirements, subject to consultation pursuant to schedule 12 to the Act. Where we have made substantive changes to the SAF template text, we have explained our reasoning for this below. We do not explain any minor changes made to the code text for clarity or readability. Subsidiary document 2 provides the final SAF template text.

Consultation position

- 3.3 The [draft SAF code text](#) has been drafted to reflect the policy decisions set out in the [second implementation decision](#). The proposed text includes provisions that set out:
- the SAF objectives
 - the composition of the SAF, including the independence requirements that the chair and other independent members must meet

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- the number of terms that independent members and code party members may serve on the SAF
- the election process for appointing code party representatives to the SAF
- the process for appointing alternates to the forum
- the requirement for the code manager to stagger the initial appointment of SAF members
- the requirement for the code manager to have in place and maintain a pool of members
- the other individuals entitled to attend SAF meetings, including pool members, Authority representatives, central system delivery bodies (CSDBs) and modification proposers
- the voting arrangements for the SAF, including the requirement for the SAF chair to summarise the SAF view in the final modification report
- the impartiality requirements that SAF members must meet
- the circumstances in which members may be removed from the SAF
- the requirement for SAF members to declare potential conflicts of interest
- the quoracy requirements that apply to the SAF meetings.

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

Summary of changes to the SAF template text

Sections B1: Introduction, B2: SAF Objectives and B3: SAF responsibilities

Consultation position

- 3.4 Sections B1-B3 of the [draft SAF code text](#) set out the SAF objectives and high-level responsibilities of the forum. In the [second implementation decision](#), we stated our intention to take forward our proposal to introduce SAF objectives. In addition, we proposed introducing a further objective around transparency.

Summary of consultation feedback

- 3.5 We received a total of 23 responses to our consultation. Of the respondents that indicated their level of agreement, eight respondents agreed with the proposed code text drafting, while six neither agreed nor disagreed with the drafting. No respondents disagreed with the drafting.
- 3.6 A few respondents raised questions about the proposed drafting, including whether the SAF would provide views on the prioritisation of modifications. There was also a question around whether the code manager is expected to respond to SAF comments.

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- 3.7 One respondent suggested that B3.1(d) should be widened to include other matters that are required to be referred to the SAF under the code manager standard licence conditions.

Decision and rationale

- 3.8 We have decided to proceed with our drafting of the code text for sections B1-B3, with minor amendments to improve clarity and readability, and the change outlined below.
- 3.9 We have decided to widen the scope of the SAF's responsibilities by requiring it to review and provide comments on any matters that must be referred to it under the code manager standard licence conditions. The [draft SAF code text](#) required the SAF to review a copy of the code manager's draft annual budget and work plan. Following feedback, we reconsidered our approach and agree that the SAF template text should reflect the matters that code managers are required to refer to the SAF under the code manager standard licence conditions. We consider that the revised approach will improve consistency between the SAF code text and the code manager standard licence conditions and provide greater clarity on the SAF's responsibilities. We have amended B3.1 to reflect this requirement.
- 3.10 We would like to clarify that the SAF must provide their views on the prioritisation of individual modifications, excluding urgent modifications and self-governance fast track modifications. As set out in section A11.2 and A11.4 of the code modification template text, the code manager must consult the SAF on the modification plan, including the prioritisation category of each modification.
- 3.11 We would also like to clarify that the code manager must consult with the SAF on various decisions and explain in the final modification report where its view differs from those of the SAF, as set out in A3.4 and A14.2 of the code modification template text.

Section B4: SAF membership

Consultation position

- 3.12 Section B4 of the [draft SAF code text](#) sets out the composition of the SAF. In the [second implementation decision](#), we stated our intention to proceed with our membership proposals.

Summary of consultation feedback

- 3.13 Of the respondents that indicated their level of agreement, eight respondents agreed with the proposed code text drafting, while six neither agreed nor disagreed with the drafting. No respondents disagreed with the drafting.
- 3.14 A couple of respondents suggested that certain organisations should have a permanent seat on the SAF.

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- 3.15 Two respondents requested clarity on the independence criteria set out at B4.7. One respondent noted that the reference to a connection with the code manager could be interpreted broadly which may result in otherwise suitable candidates being excluded.
- 3.16 Two respondents also suggested that B4.7 could be strengthened, with one respondent proposing that the criteria should address ongoing consultancy arrangements.
- 3.17 Two respondents noted that the provisions relating to expenses should be reviewed to determine how it would work in practice. Comments included that certain expenses may need to be agreed in advance by the code manager.
- 3.18 One respondent suggested that the code manager should be able to invite an individual who is not a pool member to attend a SAF meeting.
- 3.19 One respondent also suggested that the code manager should be able to attend SAF meetings.
- 3.20 One respondent requested clarity on whether pool members would be required to act impartially.

Decision and rationale

- 3.21 We have decided to proceed with our drafting of the code text for section B4, with minor amendments made to improve clarity and readability, and the changes outlined below.
- 3.22 We have decided to revise the independence requirements set out in B4.6 and B4.7 to outline that the code manager must ensure that the candidate is sufficiently independent by assessing the candidate against the independence indicators. We have also amended the drafting to provide that the independence indicators include that any ongoing consultancy relationships with the code manager, another code body, or a code party should be considered as part of the code manager's assessment. We agree with respondent feedback that the drafting could benefit from greater clarity to avoid suitable candidates being excluded solely because they have a connection to the code manager. We also agree with other respondent feedback that ongoing consultancy relationships are relevant to assessing whether a candidate can act independently. We consider that the amendments to B4.6 and B4.7 provide clearer and stronger independence safeguards while retaining appropriate flexibility in the appointment process.
- 3.23 We have decided that certain expenses may need to be agreed in advance with the code manager. We also agree with respondent feedback that in some cases it may be appropriate for the code manager to agree to an expense in advance. We consider that this approach will help to support transparency between the code manager and SAF members. We have therefore amended B4.29 of the SAF code

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text to provide that, where specified by the code manager, expenses must be agreed in advance.

- 3.24 Following respondent feedback, we have decided that the code manager should be able to invite an individual who is not a pool member to a SAF meeting. We consider that this approach will provide flexibility and help to ensure the SAF has access to the appropriate expertise to consider each modification. We have added this requirement at B4.20 of the final SAF template text.
- 3.25 We would like to clarify that the code manager is entitled to attend and speak at SAF meetings. We agree with respondent feedback that the code manager should not be prevented from attending SAF meetings. We consider that code manager attendance at SAF meetings would be beneficial. We have added a provision at B4.26 of the SAF text to make clear that the code manager is entitled to attend SAF meetings.
- 3.26 We note stakeholder support for giving certain organisations a permanent seat on the SAF. We will consider whether any permanent seats should be allocated within the SAF as part of our assessment of code-specific adaptations to the template for each code. We will consult on the code specific text as part of the consultation pursuant to schedule 12 of the Act and will take stakeholder views into account before finalising the text.
- 3.27 We would like to clarify that pool members are required to act impartially, as was initially consulted on in the [second implementation consultation](#) and decided on in the [second implementation decision](#). To ensure a consistent approach, we have also decided that other attendees invited by the code manager to attend a SAF meeting should be required to act impartially. We consider that this approach will help to build trust in the SAF and the wider code modification process. We have added this requirement to B4.22 to reflect our policy intent.

Section B5: Terms of office**Consultation position**

- 3.28 Section B5 of the [draft SAF code text](#) covers details relating to terms of office on the SAF. In our second implementation decision, we set out our intention to proceed with our proposals for terms of office. These proposals were reflected in the proposed SAF text template.

Summary of consultation feedback

- 3.29 Of those respondents who indicated their level of agreement, seven respondents agreed with the drafting, one respondent neither agreed or disagreed, and no respondents disagreed with the drafting.
- 3.30 One respondent suggested restructuring B5.2-B5.5 to add clarity regarding the number of terms that can be served by code party representatives on the SAF. The

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respondent also asked for clarity on the number of terms independent members can serve on the SAF.

- 3.31 One respondent raised that it should be made explicit in the text whether staggered tenure during the first term of the SAF is intended to be mandatory or discretionary.
- 3.32 Another respondent proposed a streamlined re-appointment process for SAF members that will serve shorter terms on the first term of the SAF due to staggered tenure.
- 3.33 One respondent suggested changing the length of SAF membership terms from “three years” to “up to three years” to encourage a wider pool of applicants.

Decision and rationale

- 3.34 We have decided to proceed with our drafting of the code text for section B5. We have accommodated minor amendments to the text to improve clarity and readability, including restructuring B5.2 to B5.5 into a single sub-section to make clearer the limits on the number of terms that code party representatives can serve on the SAF. We agreed that restructuring B5.2 to B5.5 allows for better clarity on how many terms could be served on the SAF by code party representatives. While the new B5.5 that contains this information for independent members did not require the same restructuring, the language in B5.5 has been updated to be consistent with B5.2.
- 3.35 We have decided not to proceed with changing the length of terms on the SAF from “three years” to “up to three years”. While we note that shorter term lengths could have the potential to facilitate a wider pool of applicants for SAF membership, the decision to proceed with three-year terms was based on consultation feedback received during the [second implementation decision](#) (see 3.53). We have decided that making the three-year term length optional could cause term lengths to become arbitrary and lead to the disruption of continuity on the SAF, therefore going against the policy intention and providing sufficient reason for not changing our original decision.
- 3.36 We agree that further clarification in the text was required to make clear whether staggered tenure on the first SAF was mandatory or discretionary, and we have now updated the text to confirm that staggered tenure will be a mandatory mechanism implemented by the code manager. We decided that staggered tenure was necessary to ensure the retention of expertise and continuity on the SAF.
- 3.37 We have decided not to proceed with the suggestion of a streamlined re-appointment process for SAF members serving a shorter term during the first SAF due to staggered tenure. We note that staggered tenure will lead to some members serving shorter terms during the first SAF, which means that these members will need to seek re-election sooner. However, this mechanism will be

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implemented by the code manager to retain expertise and promote continuity of the SAF, and we do not expect this implementation to result in some members of the first SAF having to seek re-election in 12 months or sooner as this would go against the policy intention. Therefore, we do not think it is necessary for an alternative re-appointment process to be put in place for members that will serve shorter terms on the first SAF.

Section B6: Cessation of office**Consultation position**

3.38 Section B6 of the [draft SAF code text](#) covers details on when a SAF member can be removed or resign from the forum. In the [second implementation decision](#), we set out our intention to take forward our proposal that SAF members may be removed if they fail to attend a certain number of meetings, and that they should be removed if they fail to act in accordance with the code.

Summary of consultation feedback

- 3.39 Of the respondents that indicated their level of agreement, seven respondents agreed with the proposed code text drafting, while seven neither agreed nor disagreed with the drafting. No respondents disagreed with the drafting.
- 3.40 Two stakeholders suggested that increasing the attendance-based removal threshold would encourage attendance and help with continuity of the SAF.
- 3.41 Two stakeholders questioned whether the code manager would be required to undertake further checks beyond those set out in the proposed SAF text prior to appointing independent members.
- 3.42 One stakeholder noted that the proposed code text does not include a mechanism for independent members to resign or be removed by the code manager. It was also suggested that the code text should specify what happens where an independent member's circumstances change following their appointment.

Decision and rationale

- 3.43 We have decided to proceed with our drafting of the code text for section B6, with minor amendments made to improve clarity and readability, and the changes outlined below.
- 3.44 We have decided not to increase the attendance-based removal threshold set out in the SAF text. We acknowledge respondent feedback that the attendance-based threshold should be increased. We consider that the current requirement set out in the SAF text is appropriate and we do not think it should be increased. We expect SAF members to attend SAF meetings on a regular basis, as reflected in Section B7.1 of the SAF text.

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- 3.45 We have decided not to include further information on checks the code manager may wish to undertake prior to appointing independent members. We acknowledge respondent feedback that the SAF text should include further information on the pre-employment checks the code manager should undertake prior to appointing independent members. We do not consider that it would be appropriate to include this level of detail in the SAF text. Our view is that the specific checks to be undertaken should be determined by the code manager as part of the recruitment process.
- 3.46 Following respondent feedback, we have decided to include provisions in the SAF text allowing an independent member to resign or be removed by the code manager if they no longer meet the independence requirements. We consider that these provisions support transparency, help ensure that independent members continue to satisfy the independence requirements throughout their appointment, and promote consistency across codes. We have therefore included these requirements in B6.2 and B6.7 of the SAF text.
- 3.47 We have also decided to add provisions to the SAF text that set out the process that should be followed where the circumstances of an independent member changes after appointment to the SAF. Following respondent feedback, we reconsidered our original drafting and agree that the code text should set out the process that should be followed where the circumstances of an independent member changes after appointment to the SAF. We consider that these provisions will provide clarity on how situations should be managed where an independent member no longer meets the independence requirements. We have therefore included these requirements in B6.12 to B6.14 of the SAF text.

Section B7: Duties of SAF members**Consultation position**

- 3.48 Section B7 of the [draft SAF code text](#) sets out the duties of SAF members. In the [second implementation decision](#), we set out our intention to take forward our proposal to require SAF members to provide undertakings that they will act impartially.

Summary of consultation feedback

- 3.49 Of the respondents that indicated their level of agreement, seven respondents agreed with the proposed code text drafting, while two respondents neither agreed nor disagreed with the drafting. One respondent disagreed with the policy intent behind the drafting. The reason for their disagreement was that independent members, who are selected specifically for their independence, should not be permitted to appoint alternates.
- 3.50 One respondent questioned whether SAF members can appoint other SAF members to be their alternate.

Decision Implementation of energy code reform: final template code text**Decision and rationale**

- 3.51 We have decided to proceed with our drafting of the code text for section B7, with minor amendments made to improve clarity and readability, and the changes outlined below.
- 3.52 We have changed our policy approach and decided that independent members should not be able to appoint alternates. We reconsidered our original approach following feedback that independent members, who are selected specifically for their independence, should not be able to appoint alternate members. On balance, we agree with this feedback. We do not consider it practical to require independent members to identify independent alternates given the limited pool of suitably independent candidates available. We therefore consider that such an arrangement would be difficult to operate effectively in practice and have decided that independent members should not have alternates. We have amended B7.8 to reflect this policy change.
- 3.53 We would like to clarify that SAF members cannot appoint other SAF members to be their alternate. We acknowledge respondent feedback on this point. We do not consider this would be appropriate as it could create a perception of certain members having greater influence in discussions. As set out in B7.8 to B7.10 of the SAF text, a SAF member, other than the chair and any independent members, must appoint an individual who will attend SAF meetings when they are unable to.

Section B8: Conflicts of interest**Consultation position**

- 3.54 B8 of the [draft SAF code text](#) sets out the conflict of interest provisions that apply to SAF members. In the [second implementation decision](#), we acknowledged feedback on the need for SAF conflict of interest provisions. We considered that these provisions were essential for transparency and for building trust in the SAF.

Summary of consultation feedback

- 3.55 Of the respondents that indicated their level of agreement, six respondents agreed with the proposed code text drafting, while three respondents neither agreed nor disagreed with the drafting. No respondents disagreed with the drafting.
- 3.56 Two respondents questioned the need for SAF members to abstain from voting where they had a conflict of interest. One respondent noted that it was unnecessary to require members to abstain from voting, considering that the code manager would take account of the SAF's views and vote.
- 3.57 One respondent suggested that we should also include a requirement in the code text for SAF members to declare interests at the start of each meeting. Two respondents suggested that the SAF chair should be permitted to continue

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chairing a meeting despite a conflict of interest, rather than requiring another independent member to chair.

- 3.58 One respondent suggested that the proposed conflict of interest drafting should also cover alternative modification proposals.

Decision and rationale

- 3.59 We have decided to proceed with our drafting of the code text for section B8, with minor amendments made to improve clarity and readability, and the changes outlined below.
- 3.60 We have decided to proceed with our proposal that SAF members should be required to abstain from voting where they have a conflict of interest. We acknowledge respondent feedback questioning whether, as an advisory body, the SAF should have conflict of interest provisions. We consider that including conflict of interest provisions within the SAF will support transparency and help to build trust and confidence in both the SAF and the wider code modification process.
- 3.61 We note respondent feedback that restricting SAF members with a conflict of interest from voting is unnecessary, given the code manager will take account of SAF's views. We consider it appropriate to allow such members to participate in discussions, while restricting them from voting, to ensure their views are heard while maintaining that SAF voting outcomes are impartial and free from conflicts of interest.
- 3.62 We have decided that SAF members should be required to declare conflicts of interest at the start of each meeting. Respondent feedback led us to reconsider the original drafting and we agree that SAF members should declare conflicts of interest at the start of each meeting. We consider this requirement will support transparency and ensure that conflicts of interest provisions are applied consistently across the codes. We have therefore added this requirement in B8.1 of the SAF text.
- 3.63 We have also changed our policy approach to allow the SAF chair to continue chairing a meeting where they have a conflict of interest. We agree with feedback that the SAF chair should be permitted to continue chairing a meeting where a conflict of interest has been identified. We recognise that it is unlikely that a SAF chair will have a conflict of interest since their appointment is subject to the independence requirements set out in the code text. However, we do consider that if the SAF chair were to identify that they had a conflict of interest, that they could continue chairing the meeting and simply excuse themselves from taking part in the vote. We consider that this approach is more proportionate and will better support continuity of the SAF. We have updated our approach and amended B8.6 of the SAF text.

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- 3.64 We would like to clarify that the conflict of interest provisions also apply to alternative modifications, and this has been reflected in the SAF text.

Section B9: Protections for SAF members and others**Consultation position**

- 3.65 Section B9 of the [draft SAF code text](#) sets out the protections that will apply to SAF members.

Summary of consultation feedback

- 3.66 Of the respondents that indicated their level of agreement, one respondent strongly agreed with the drafting and six respondents agreed with the drafting. Four respondents neither agreed nor disagreed with the drafting and no respondents disagreed.
- 3.67 One respondent commented that an indemnity should not be required for SAF members, noting that they do not make decisions that would require such protection.
- 3.68 One respondent suggested that the code manager should be required to define what constitutes a SAF member acting in good faith.

Decision and rationale

- 3.69 We have decided to proceed with our drafting of the code text for section B9, with minor amendments made to improve clarity and readability. We acknowledge respondent feedback that an indemnity is not required for SAF members given their advisory role. However, we consider that an indemnity should be provided. Although SAF members will not make formal decisions, the advice they provide may influence modification outcomes and therefore have an impact on code parties and other stakeholders. We consider that indemnity provisions will provide an appropriate safeguard and provide protection for individuals carrying out their role as a SAF member. We also consider that including such provisions may encourage participation in the SAF.
- 3.70 We have decided that code managers should not be required to define what constitutes a SAF member acting in good faith. We acknowledge respondent feedback that code managers should be required to define what constitutes a SAF member acting in good faith. We consider that the current drafting retains the appropriate level of flexibility by allowing the code manager to exercise judgement in different circumstances. We also note that the term good faith carries an established legal and commercial meaning which applies within these governance arrangements. It is generally understood as requiring parties to act honestly and in accordance with standards of fair and commercially acceptable conduct recognised in the relevant commercial context.

Decision Implementation of energy code reform: final template code text**Section B10: Election process for Code Party Representatives****Consultation position**

3.71 Section B10 of the [draft SAF code text](#) sets out the election process for code party representatives. In the [second implementation decision](#), we confirmed our intention to proceed with our preferred option for appointing code party representatives to the SAF.

Summary of consultation feedback

3.72 Of the respondents that indicated their level of agreement, seven respondents agreed with the drafting. Three respondents neither agreed nor disagreed with the drafting and no respondents disagreed.

3.73 One respondent noted that code parties should be required to disclose all affiliates when participating in the election process.

3.74 One respondent suggested that the remaining term of a resigning member should be considered when determining whether a further election is required.

3.75 Other comments included that:

- candidates should be required to provide details of the code party or voting group nominating them
- there is overlap between B7.1, B7.2 and B10.7 of the code text
- candidates should be required to confirm that none of the grounds for removal set out in B6 would apply to them when they stand for election
- the election process does not set out how a tie would be resolved and suggested that a further election should be held.

Decision and rationale

3.76 We have decided to proceed with our drafting of the code text for section B10, with minor amendments made to improve clarity and readability, and the changes outlined below.

3.77 We have decided that code parties should be required to disclose their affiliates when participating in the election process. The [draft SAF code text](#) required code parties to provide assistance to the SAF Secretary to ensure the list of voting groups, including affiliates, was accurate. Following respondent feedback, we reconsidered this approach and agree that code parties should be required to disclose their affiliates when participating in the election process. We consider that this information is more readily available to code parties than to the SAF Secretary and have included this requirement in B10.3 of the SAF text.

3.78 We have also decided that an election for a code party representative should only be held where more than six months remain in their term. The draft SAF code text required an election to be held each time a vacancy arose. Following respondent

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feedback, we reconsidered this approach and agree that an election should only be required where more than six months remain in the representative's term. We consider that this approach is more proportionate than our original proposal as it avoids the administrative burden of holding an election to fill a short-term vacancy. We have therefore included this requirement in B10.22 of the SAF text and set out the process that applies where less than six months of a term remains in B10.25 and B10.26. We have also made a consequential amendment to B6.6 to reflect this change.

- 3.79 We have decided that candidates must provide details of the code party or voting group nominating them when they stand for election. We agree with respondent feedback that that this information should be disclosed as part of the election process. We consider that this requirement will support transparency in the election process. We have included this requirement in B10.8(b) of the SAF text.
- 3.80 We have decided to update B7.1, B7.2 and B10.8 to clarify the requirements that apply to SAF members and the information candidates must provide as part of their nomination when standing for election. We agree with respondent feedback that the drafting in B7 and B10 of the SAF text contained some unnecessary duplication. However, we also consider that certain requirements should apply both to candidates standing for election and to individuals once they have been appointed to the SAF. We have therefore revised the drafting to remove only unnecessary duplication to clearly distinguish between the information candidates must provide as part of their nomination and the requirements that apply to SAF members following appointment.
- 3.81 We have decided that candidates standing for election should be required to confirm that none of the grounds for removal set out in B6 apply to them when they stand for election. One respondent suggested that candidates should be required to provide this information when they stand for election. We considered this feedback and agree that this requirement will help ensure any potential eligibility issues are identified at an early stage. We have included this requirement in B10.8(f) of the SAF text.
- 3.82 We have decided that, in the event of a tie between two candidates, the SAF Secretary shall determine the elected member by drawing lots. We acknowledge respondent feedback that the SAF template text did not set out a process for resolving a tie between candidates. We consider that allowing the SAF Secretary to determine the elected members by drawing lots is a fair and transparent approach that provides certainty and avoids the delay associated with holding a further election. We have included this requirement at B10.19 of the SAF text.

Section B11: Operation of SAF

- 3.83 Section B11 of the [draft SAF code text](#) sets out the proposed operation of the SAF. In the [second implementation decision](#), we confirmed our intention to proceed with our proposals relating to the operation of the SAF.

Decision Implementation of energy code reform: final template code text**Summary of consultation feedback**

- 3.84 Of the respondents that indicated their level of agreement, six respondents agreed with the drafting, five respondents neither agreed nor disagreed, and one respondent disagreed.
- 3.85 Three respondents suggested that code managers should be able to request that a SAF meeting is held, including where an additional meeting is required. Two respondents also noted that the code manager should be able to cancel a meeting if it is no longer required.
- 3.86 The respondent who disagreed noted that five working days would not provide enough time to review supporting papers for complex modifications and suggested that this information should be provided to SAF members at least seven working days in advance of a meeting.
- 3.87 One respondent requested that timelines are included in the code text for publishing meeting minutes.
- 3.88 One respondent highlighted a potential risk that quoracy requirements could delay urgent modifications.

Decision and rationale

- 3.89 We have decided to proceed with our drafting of the code text for section B11, with minor amendments made to improve clarity and readability, and the changes outlined below.
- 3.90 We have decided that the code manager should be able to request that SAF meetings are scheduled and cancelled. We agree with respondent feedback that the code manager should be able to request that a SAF meeting is scheduled. We consider that the code manager is well placed to identify when a meeting would be beneficial or may no longer be required. We have amended B11.1, B11.9, B11.11 and B11.18 of the SAF text to give effect to this decision.
- 3.91 We have decided not to increase the notice period for providing supporting papers to SAF members. We note feedback from one respondent that supporting papers should be provided at least seven working days in advance of a meeting. However, we consider that the current requirement set out in the SAF text is appropriate and we do not think it should be changed. As five working days corresponds to a standard working week, we consider that it provides a practical deadline for the provision of supporting papers. We have therefore decided to retain the existing drafting in B11.2.
- 3.92 We have decided to add further requirements to the process for publishing SAF minutes, including that minutes must be circulated to SAF members within five working days of the meeting. Following respondent feedback, we reconsidered our approach and agree that clear timelines for circulating and publishing SAF meeting minutes should be included in the SAF template text. We consider that

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these requirements will help ensure that information about SAF discussions is made available to stakeholders in a timely manner, promoting transparency and trust in the SAF and wider code modification process. We have amended B11.13 to B11.16 to reflect this approach.

- 3.93 We have decided that, where quorum cannot be achieved for a meeting to consider an urgent modification, the SAF chair may contact members individually to obtain their views and votes. The [draft SAF code text](#) set out that quoracy requirements would apply to urgent meetings. Following respondent feedback, we reconsidered our approach and agree that urgent modifications should be able to progress without undue delay. We consider that, where it becomes apparent when attempting to arrange a meeting to discuss an urgent modification that quorum will not be achieved and there is insufficient time to organise a meeting, the SAF chair should be required to contact each SAF member individually to ascertain their view and vote on the modification. We have added this requirement in B11.21 of the SAF text.

Section B12: Voting**Consultation position**

- 3.94 Section B12 of the [draft SAF code text](#) sets out the proposed voting arrangements for the SAF. In the second implementation decision, we confirmed our intention to take forward our proposal that the SAF will be required to vote on modifications. We also set out that the SAF chair, rather than the code manager, would be responsible for summarising SAF views in the modification report.

Summary of consultation feedback

- 3.95 Of the respondents that indicated their level of agreement, five respondents agreed with the drafting, four respondents neither agreed nor disagreed, and one respondent disagreed.
- 3.96 Three respondents noted that there should be greater flexibility in rescheduling SAF meetings.
- 3.97 Two respondents highlighted that B12.2 to B12.4 which cover voting provisions duplicate provisions in section A of the code modification text.
- 3.98 Two respondents suggested that B12.5, which states that the SAF vote is not binding on the code manager, should be strengthened across the SAF text to emphasise the SAF's advisory role.
- 3.99 The respondent who disagreed expressed concern that the proposed governance arrangements may not adequately prevent the code manager from overriding the views of the SAF. It was also suggested that, where the code manager disagrees with a majority SAF view, it should be required to produce a formal document addressing the risks identified by the SAF.

Decision Implementation of energy code reform: final template code text**Decision and rationale**

- 3.100 We have decided to proceed with our drafting of the code text for section B12, with minor amendments made to improve clarity and readability, and the changes outlined below.
- 3.101 We have decided to increase flexibility in the rescheduling of SAF meetings. We agree with respondent feedback that there should be greater flexibility in rescheduling SAF meetings. The [draft SAF code text](#) provided that, where a meeting did not achieve quorum, it would be rescheduled to the same day the following week. We have updated our approach to require that where a SAF meeting needs to be rescheduled, it should be adjourned to a later date and time following consultation with SAF members. We consider that this approach provides greater flexibility and should help to ensure that rescheduled meetings are able to achieve quorum. We have amended B12.6(a) of the SAF code text to reflect this decision.
- 3.102 We have decided to remove B12.4 as it duplicates provisions in section A of the code modification text. We agree with feedback that some of the voting provisions in section B12 duplicate those in section A of the code text. We consider that removing B12.4 from the SAF code text will help to reduce duplication across the texts.
- 3.103 We have decided not to strengthen the provision that the SAF votes are not binding on the code manager. We acknowledge respondent feedback that the advisory nature of the SAF should be clearly reflected in the code text. We consider that moving B12.5 to section B3.2 improves visibility for readers without introducing unnecessary repetition across the code text.
- 3.104 We have decided not to add any additional requirements to the SAF template text for the code manager where its assessment differs from that of the SAF. We consider that A14.2(g) of the code text is sufficient to ensure transparency where the code manager's assessment differs from that of the SAF. The provision requires the code manager to explain how it has considered the SAF's views, and where, relevant, the reasons why its assessment differs. We therefore do not consider that any further requirements are necessary.

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

Conflicts of interest**Consultation position**

- 3.105 In the second [implementation decision](#), we outlined the conflict of interest provisions that we included in the draft [SAF code text](#). We also encouraged current code administrators, chairs and panels to review their own conflict of

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interest proposals and to consider adopting equivalent measures, where appropriate.

- 3.106 We considered that introducing similar provisions in the current arrangements would help to reinforce the impartiality of decisions and support confidence in the modification process. We welcomed engagement with code parties on whether conflict of interest proposals would be beneficial under the current arrangements.

Summary of consultation responses

- 3.107 Of the respondents that indicated their level of agreement, six respondents agreed with the drafting, three respondents neither agreed nor disagreed, and two respondents disagreed.
- 3.108 Respondents supported early introduction of conflict of interest provisions on the basis that it would increase transparency, build trust in the modification process, and improve consistency between codes with a SAF and those with a panel.
- 3.109 Concerns from those who disagreed included that conflict of interests can be difficult to identify and that it was unclear how they would be managed where a member did not agree that a conflict exists. It was also suggested that preventing a member from voting where they have a conflict of interest could deter modifications from being raised or discourage candidates from standing for election.
- 3.110 A few respondents noted that conflict of interest provisions already exist in some codes. It was also raised that there would be limited benefit in introducing conflict of interest provisions in codes where a code manager is due to be appointed soon.

Decision and rationale

- 3.111 We acknowledge respondent support for introducing conflict of interest provisions to improve transparency and consistency. Panels adopting similar measures would help to reinforce the impartiality of decisions and support confidence in the modification process. Therefore, we continue to recommend that panels and code administrators review their existing conflict of interest measures and, where appropriate, seek to align them with the SAF conflict of interest provisions.
- 3.112 We note respondent concerns that requiring panels to adopt SAF conflict of interest provisions could deter modifications from being raised or discourage participation in panel roles. However, respondents did not provide evidence to demonstrate that the conflict of interest provisions would prevent modifications from being raised. We recognise stakeholder concerns that conflict of interest provisions could discourage some organisations from putting forward employees to serve as panel members. However, we consider that these risks are

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outweighed by the benefit of panels providing transparent and impartial recommendations on modifications.

- 3.113 We also acknowledge respondent feedback that conflict of interest provisions already exists in some codes and that some codes will transition to the new arrangements soon. Given the differences that currently exist across codes, we consider it appropriate to recommend that panels and code administrators review their existing arrangements and seek alignment with the SAF proposals, where appropriate.

SAF cross-cutting themes

- 3.114 We received general comments from stakeholders regarding how the SAF framework will be applied across codes. A few stakeholders expressed concern that decisions taken on the SAF template text at this stage could pre-empt how the SAF will operate in phase 2 and phase 3 codes. Concerns also included that applying standard requirements, such as term limits and independence provisions might be more challenging for technical codes.
- 3.115 We recognise these concerns and consider that the updated code modification process should be implemented consistently across the codes. However, we also consider it important that the SAF framework operates effectively across all codes. We envisage that the SAF template code text will be adapted, where appropriate, to reflect the specific nature and circumstances of each code. Ahead of each consultation pursuant to schedule 12 to the Act, we intend to engage with incumbent code administrators and code manager candidates to support the development of code specific SAF text. We will also take account of stakeholder responses to future consultations pursuant to Schedule 12 to the Act before finalising SAF provisions for each code.

Specific amendments to the template code text for individual codes

- 3.116 Several respondents put forward suggestions for specific amendments for the BSC and REC codes. We will consider these and provide more detail in the upcoming future consultations pursuant to schedule 12 to the Act, in which we intend to set out our proposals on the specific code text relative to the BSC and REC.

Next steps

- 3.117 Subsidiary document 2 sets out the final SAF template text.
- 3.118 We intend for this template to form the basis for the proposed code modification process for each codes, subject to consultation pursuant to schedule 12 to the Act.

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3.119 We intend to consult on proposed adjustments to the template code text for the phase 1 codes pursuant to schedule 12 to the Act in due course.

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 decision. 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.