

Industry Codes Teams
Ofgem

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Independent Networks Association (INA) response to Ofgem consultation on the Second Preliminary Strategic Direction Statement for Industry Codes

The Independent Networks Association (INA) represents Independent Distribution Network Operators and Independent Gas Transporters who compete amongst themselves and with others to provide energy networks that serve the domestic, commercial and industrial sectors across Great Britain, as well as wider decarbonisation projects such as generation, storage and transportation and connecting nationally strategic growth projects, such as data centres. Our members have delivered significant improvements in competition, choice and service for customers in the utility market and, together, own and operate utility infrastructure and networks that provide energy, water and wastewater to over five million households and thousands of businesses across the UK.

Thank you for the opportunity to response to the above consultation. We would like to highlight the following key points:

- support for the Strategic Direction Statement (SDS) in principle, with clear caveats around proportionality;
- the need for Ofgem and future code managers to assess the impact of SDS-related code changes on smaller operators separately from larger DNOs;
- concern around the cumulative burden of overlapping “Act now” code changes;
- support for code consolidation where it genuinely simplifies processes and reduces duplication;
- support for digitalisation, provided requirements are proportionate and cost-controlled; and
- the need for careful management of cross-code dependencies during the proposed hybrid SDS period.

The following response is made to individual questions

Question 1: On the basis that the SDS should contain a strategic assessment of government policies and developments relating to the energy sector, that will or may require the making of code modifications, do you think there is anything missing from the SDS that you would expect to require code modifications in the next 1 to 5 years? If so, please specify.

Selected response: Yes

Comments:

The Independent Networks Association broadly supports the purpose of the Strategic Direction Statement (SDS) and recognises the value of setting a clearer strategic direction for industry code change. However, we consider that the SDS should more explicitly recognise the needs of smaller players and new entrants. This was a key aim of earlier consultations. For example, the SDS identifies a number of policy areas which may affect DCUSA, the Distribution Code, REC, BSC, CUSC and wider electricity distribution arrangements. These areas include network planning, connections reform, low carbon technology rollout, digitalisation, market-wide half-hourly settlement, network charging arrangements and code governance reform. These areas are highly relevant to IDNOs as well as DNOs, but the SDS does not always distinguish between the position of larger Distribution Network Operators and smaller licensed network operators.

The SDS should include an explicit cross-cutting principle requiring Ofgem, code managers and code administrators to assess the impact of SDS-related code changes on small players and new entrants. It should include a clear expectation that each SDS-driven modification includes a small-operator impact assessment. This should consider whether requirements can be scaled, phased, simplified or delivered through proportionate routes where the same policy outcome can be achieved without imposing unnecessary administrative burden.

We also consider that the SDS should more clearly recognise that code changes which are designed around larger network operators may unintentionally create barriers for smaller players and new entrants. This could reduce competition, discourage investment and innovation. Proportionality should therefore be treated as a core delivery requirement, not as an optional implementation consideration.

Question 2: Do you agree with the classification of each policy area within the three time horizons: Act now, Think & plan, Listen & wait? If not, please specify what changes you suggest and why.

Selected response: Disagree

Comments:

We support the principle of categorising policy areas into “Act now”, “Think & plan” and “Listen & wait”. This is helpful in giving industry a clearer view of the likely timing of code change.

However, we are concerned that the volume and overlap of “Act now” areas may be unrealistic for smaller operators.

The key challenge is not only the implementation of individual code changes, but the cumulative burden of multiple workstreams progressing at the same time, across several codes, with overlapping consultations, workgroups, impact assessments, implementation plans and internal governance requirements.

The “Act now” category includes several areas that could directly or indirectly affect smaller electricity network operators. Each of these may be justified in isolation. The concern is the combined impact and proportionality of the changes needs thought.

INA therefore considers that Ofgem should revisit the classification of “Act now” policy areas where multiple changes affect the same parties, systems or governance teams. In particular, Ofgem and future code managers should consider whether some activity can be moved into “Think & plan” where the policy need is accepted but the implementation route is not yet sufficiently defined, or where industry capacity is likely to be constrained.

Where policy areas remain in “Act now”, we recommend that Ofgem applies additional safeguards. These could include phased implementation, clear prioritisation between competing changes, early impact assessment, clear minimum viable requirements, and proportionate engagement routes.

We do not suggest that strategic change should be delayed unnecessarily. However, the SDS should avoid creating an implementation schedule that can only be realistically supported by the largest market participants thereby leading to unrepresentative outcomes.

Question 3: Do you find the SDS easy to understand and do you think that the level of detail included is sufficient to allow you to begin raising and implementing code modifications, where appropriate?

Selected response: No

Comments:

The SDS is generally clear in its structure and the use of policy areas, time horizons and relevant code mapping is helpful. The accompanying spreadsheet is also useful because it allows stakeholders to filter policy areas by code and time horizon.

However, we do not consider that the level of detail is always sufficient to allow smaller operators to understand the likely practical impact of the changes or to begin planning implementation with confidence. In several areas, the SDS identifies that code changes may be required, but the detail of the likely obligation, implementation route, cost impact and operational impact remains uncertain. This is particularly important for smaller operators and new entrants.

We recommend that future versions of the SDS include clearer implementation information for each relevant policy area, including:

- the expected nature of the code change;
- the likely parties affected, distinguishing where appropriate between incumbents and independent players or new entrants;
- whether implementation can be phased or scaled;
- the expected interaction with other related code changes; and
- the proposed route for assessing impacts on smaller operators.

We also suggest that Ofgem and code managers produce plain-English implementation summaries for each major SDS-related workstream. These should be short, practical documents that help all parties understand the expected change, the likely timeline, the decisions required and the practical steps they need to take.

Question 4: Do you support our proposed approach to convert the SDS from a preliminary document to a hybrid document, following designation of the BSC and the REC?

Selected response: Yes

Comments:

INA supports the proposed hybrid approach in principle. We understand the rationale for avoiding unnecessary delay and giving future code managers sufficient clarity to support delivery planning and budget-setting.

However, this support is subject to Ofgem managing cross-code dependencies carefully. The BSC and REC do not operate in isolation. Changes to settlement, switching, metering, data flows, retail market operation and consumer-facing processes may have knock-on impacts for DCUSA, the Distribution Code, business processes, system interfaces and operational teams.

During a hybrid governance period, there is a risk that some codes move forward under the new arrangements while other related codes remain under legacy governance. This could create uncertainty, duplication or gaps in accountability. That risk may be felt more acutely by smaller operators, who have less capacity to track and respond to fragmented governance processes across multiple codes.

We therefore recommend that Ofgem sets out more detail on how cross-code impacts will be identified and managed during the hybrid period. In particular, Ofgem should clarify how it will

ensure that changes progressed under the formal SDS for BSC and REC do not create unmanaged consequential impacts for parties affected through other codes.

We also recommend that Ofgem requires code managers and code administrators to coordinate closely where SDS-related changes cut across designated and non-designated codes. This should include clear dependency mapping, shared implementation plans where appropriate, and early communication to affected parties.

INA's support for the hybrid approach is therefore conditional on there being clear safeguards to avoid uncertainty, duplication and disproportionate engagement burden.

Question 5: Do you have any other feedback?

Comments:

INA supports the overall ambition of energy code reform and agrees that the codes should be capable of supporting strategic change more effectively. We are also supportive of code consolidation and simplification where this genuinely reduces complexity, duplication and cost.

For smaller players and new entrants, code reform will only be successful if it makes the governance framework easier to engage with in practice. Consolidation should not simply move complexity into larger centralised processes, create additional layers of governance, or make it harder for smaller parties to input to decisions that affect them.

We strongly support code consolidation where it delivers practical simplification. This should include clearer obligations, fewer duplicative processes, improved accessibility, reduced administrative effort and less need for parties to track multiple overlapping modifications across different codes.

INA also supports digitalisation and better data-sharing in principle. However, digitalisation requirements must be proportionate. Smaller players should not be expected to build expensive new systems, reporting interfaces or data governance structures designed around the scale and budgets of larger organisations unless there is a clear consumer or system benefit. Where new digital requirements are introduced, Ofgem and code managers should consider minimum viable requirements, phased delivery and lower-cost implementation options.

We also recommend that Ofgem and future code managers provide specific engagement routes for smaller players and new entrants. This could include shorter targeted workshops, early impact surveys, written evidence routes, implementation summaries and proportionate alternatives to regular attendance at lengthy workgroups. This would help smaller operators provide meaningful input without creating unnecessary governance burden.

Do you have any comments about the overall process of this consultation?

No.

Do you have any comments about its tone and content?

The tone is constructive and the policy direction is clearly explained. However, the content would be stronger if it more explicitly recognised the different scale and resource capacity of industry participants.

The SDS should avoid treating “industry” as a single category. The impact of code change is not the same for a large DNO, a smaller IDNO, a supplier, a code body, a central system provider or a new entrant. A more explicit recognition of these differences would improve the balance and practical usefulness of the document.

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

Yes.

Were its conclusions balanced?

The SDS is balanced in setting out strategic policy priorities, but it is less balanced in its treatment of implementation burden. The document rightly focuses on the need for faster, more strategically aligned code change, but it should give greater weight to the cumulative impact of multiple changes.

Without stronger proportionality safeguards, there is a risk that the SDS accelerates code change in a way that works better for larger organisations and thereby stifles competition and innovation.

Did it make reasoned recommendations for improvement?

Yes.

Nicola Pitts, Executive Director