
Consultation on the draft second preliminary Strategic Direction Statement – response template

This document provides a template for responses to our consultation on the second preliminary Strategic Direction Statement, published on 2 April 2026.

If you are interested in responding to this consultation, please complete this word document and send it to industrycodes@ofgem.gov.uk by the end of the day on Thursday 28 May 2026.

Guidance

We typically publish consultation responses when we publish our decision. To ensure that we can correctly attribute your response, please ensure that you enter all relevant details in the “your company’s details” section (template part 1).

If you would like us to treat your response as being confidential, either in full or in part, please indicate this to us below. Further information on how we will treat your response, data and confidentiality can be found at the end of this document.

Please use template part 2 to provide your responses. For all questions, the template below provides space for you to enter free text comments. Some questions also ask whether you agree with our proposals. Please indicate the extent to which you agree or disagree with relevant proposals by deleting all but one of the bullets provided.

There is also a section for “general feedback” (template part 3). Please use this section to provide any views on the overall consultation process.

Template part 1: Your organisation’s details:

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Date of submission	28/05/26

Do you want your response treated as confidential? (If yes, please indicate whether you would like the whole of your response to be confidential, or just particular parts).	No
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Template part 2: consultation responses

Consultation section 2 – Approach to the Strategic Direction Statement

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 1-5 years? If so, please specify.

- Yes

Comments:

However, there appears to be no mention of any plans to work towards Energy Theft Reduction. In 2023, RECCo estimated the cost of energy theft in Great Britain to be between £0.9 billion and £1.4 billion annually. Furthermore, within its Forward Work Plan 2025–2028, RECCo has committed to delivering a whole-system approach to theft reduction, focusing on prevention, detection, and improving the effectiveness of the industry response and wider disruption activities.

Given the significant financial impact on industry, the ongoing safety risks posed to the public, and the likelihood that future controls and mitigation measures will require code modifications within the next 1–5 years, we believe this area should be more explicitly reflected within the SDS.

In addition, while the SDS covers a number of key policy areas, there are several areas where future BSC modifications are likely to arise but where the current level of detail appears limited.

The current focus appears to be weighted towards suppliers, with less recognition of the wider market and operational impacts associated with MHHS implementation across other industry participants.

There is considerable reference to locational pricing throughout the document; however, the practical implications remain unclear. In particular, there appears to be limited detail regarding how locational pricing proposals may translate into BSC settlement arrangements and associated modification requirements.

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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.

- Agree

Comments:

We note that Objective 1.2, “Work with others to tackle the affordability crisis”, has been categorised within the “Think & Plan” horizon. However, the SDS itself states that, by June 2025, domestic consumer energy debt had reached £4.43 billion, with nearly three quarters of that debt owed by customers who have no repayment arrangement in place. Current trends also suggest that debt levels are becoming increasingly concentrated amongst the same cohort of consumers, who are continuing to fall further into debt over time.

As the cost-of-living crisis persists, there is a risk that this issue will continue to worsen. Potential consequences include:

- increasing levels of bad debt, resulting in additional costs being recovered through the price cap and ultimately borne by consumers;
- increased financial vulnerability amongst suppliers where costs cannot be recovered effectively; and
- a potential rise in energy theft as financially distressed consumers become more susceptible to organised criminal groups offering illegal tampering services disguised as legitimate bill-saving methods.

Given the scale and immediacy of these risks, we believe there is a strong argument for reclassifying this objective within the “Act Now” horizon.

In addition, the current three-category structure appears relatively broad and, at present, lacks sufficient granularity to clearly establish priorities over time. It may therefore be beneficial for code managers to introduce supporting sub-categories or prioritisation mechanisms to better define urgency and implementation expectations as the programme develops.

We also note that work relating to distributed flexibility already appears to be progressing within industry discussions. In light of this, it may be appropriate to reconsider whether “13.1 Distributed Flexibility” should similarly be categorised as “Act Now”.

From a broader BSC perspective, however, the lack of specificity within the categories makes it difficult to assess whether additional re- categorisation changes are currently required.

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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?

- No view

Comments:

While the SDS demonstrates a positive strategic direction and alignment with wider government policy objectives, there are aspects of the document that could benefit from improved clarity and conciseness.

In several areas, the document contains extensive narrative and high-level wording where shorter and more direct explanations may improve readability and accessibility. Conversely, there appears to be limited operational detail in relation to how certain proposals and policy areas will translate into practical implementation activity and associated code modifications.

Although the overarching strategic intent is generally understandable, the current level of vagueness within some categories makes it difficult to identify ownership, delivery responsibilities, and governance arrangements. In particular:

- it is not always clear who will be responsible for driving change within each policy area;
- there appears to be limited visibility of the process by which items may move between categories over time; and
- there is insufficient detail regarding governance and accountability arrangements for progression and prioritisation.

As a result, while the SDS provides useful strategic context, additional detail may be required to fully support stakeholders in raising, prioritising, and implementing code modifications effectively.

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?

- Yes

Comments:

Based on the information provided, we see no reason to oppose the proposed transition from a preliminary document to a hybrid document. In principle, this approach should provide greater certainty for BSC and REC code managers and support more effective forward planning, resource allocation, and budgeting activities.

However, we would emphasise the importance of ensuring that the document remains sufficiently flexible to accommodate regular updates and evolving market developments. Retaining the “hybrid” nature of the approach will therefore be essential to ensure the SDS can continue to respond appropriately to changing industry priorities and emerging risks.

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Question 5 - Do you have any other feedback?

Comments:

Overall, we support the intent behind the SDS and the move towards greater strategic coordination across industry codes. However, we believe additional clarity, operational detail, and governance transparency would strengthen the document further and improve its effectiveness as a practical framework for driving future code modification activity.

We also encourage greater recognition of emerging risks such as energy theft, affordability pressures, and cross-code coordination challenges, all of which are likely to require significant industry focus and code evolution over the coming years.

Template part 3: General feedback

We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to the following questions.

Question	Response
Do you have any comments about the overall process of this consultation?	
Do you have any comments about its tone and content?	
Was it easy to read and understand? Or could it have been better written?	
Were its conclusions balanced?	
Did it make reasoned recommendations for improvement?	
Any further comments?	

Your response, data and confidentiality

You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory

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directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you *do* wish to be kept confidential and those that you *do not* wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.

If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the UK's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 3.

If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.