

Industry Codes  
Ofgem  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU

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Contact: Lauren Logan  
Tel: 07385346208

Attn: Industry Codes Team  
By email: [industrycodes@ofgem.gov.uk](mailto:industrycodes@ofgem.gov.uk)

## Ref - Consultation on the draft second preliminary Strategic Direction Statement

SPEN welcome the opportunity to respond to Ofgem's policy Consultation on the draft second preliminary Strategic Direction Statement (SDS). We respect and conform to our licence conditions on applicable code compliance and actively participate with current code administrators.

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

We recognise Ofgem's work in developing the draft SDS2 and its supporting documents, including the opportunity to attend and participate in the workshop on the draft SDS2. SPEN support the annual refresh of the SDS and recognise its role in working alongside different distinct phases of Energy Code Reform. It is vital that Ofgem policy teams work with stakeholders to engage on the development of the SDS documents, as government policies and priorities change. Engagement is especially important to support the complex, voluminous and detailed task of code consolidation that takes place within phases 2 & 3 of the overall Energy Code Reform programme. Given the challenges of later phases, we would ask Ofgem to provide clear lines on the SDS refreshes, how they will work with the other consultations and stages within the Energy Code Reform programme, and define a detailed delivery timeline.

The experience and knowledge of SPEN within relevant electricity codes is extensive and, in this response, we outline specific considerations we believe are important, with our detailed response to questions in Annex 1.

### Overarching principle:

The SDS is an extensive document, SPEN would like to see an overarching SDS principle to sit across all codes which reflects the requirements of codes in the enduring safety, security and resilience of supply. The overarching principle should recognise national decarbonisation targets, the role codes play in consumer protection and consider the necessity of economic growth. As an overarching principle it would sit across all codes as a target that would change little in any iteration of the SDS but be a fundamental remit for all code managers on appointment and a focus for all code parties.

### Time horizons:

The labelling of time horizons sends signals to industry and investors, we suggest that "Listen & wait" is not useful terminology in the context of accelerated delivery to achieve national

decarbonisation targets and enhance energy security. We would therefore suggest that 'Listen and Readiness' may be more appropriate. Relabelling of this category would ensure Ofgem send a signal of readiness rather than passivity.

**Summary:**

Notwithstanding the detailed comments we outline in Annex 1, SPEN broadly support the SDS. It remains important that Ofgem are clear of the roles and responsibilities for the SDS for all involved parties and that the SDS is easily accessible, allowing for adequate scrutiny and assessment of success.

SPEN will continue to support code administrators in code change programmes and are committed to progression towards government targets for Clean Power 2030 (CP2030) and net zero targets alongside economic growth.

For the avoidance of doubt, the engagement of TOs and DNOs in Energy Code Reform as a key stakeholder needs to be managed differently from 'wider stakeholders' to ensure the economic, safe, secure, and resilient supply of electricity to the homes and business we serve, whilst adapting and facilitating the necessary steps to achieve national decarbonisation targets and enhance energy security.

We welcome clarification on Ofgem's stakeholder plan, including TO and DNO engagement and further engagement with Ofgem on the points highlighted in this response.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Lauren Logan".

Lauren Logan  
Head of Transmission Policy and Regulation  
SP Energy Networks

## Annex 1: Responses to consultation section 2 – Approach to the Strategic Direction Statement

Q1. 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?

Whilst SPEN broadly support the content and policy contained within the SDS2, there are specific concerns over some areas of policy content and lack of coverage in certain policy areas.

**5.1: Oversee production and implementation of a new Strategic Spatial Energy Plan**, we have a general concern over the inability of Ofgem to identify codes which maybe related to the SSEP. Given its importance to CSNP and RESP work, we would like to see identification of the relevant categories for networks businesses reflected in the SDS2 publication.

**9.2: Enable faster electricity network connections**. One of our biggest concerns is the routes to modification for any technical issues on the network. While this objective covers an aspect of the overall policy area, the policy embedded around Grid Code Development Forum (GCDF) work classified as 'Think & Plan', SPEN believe is too passive requiring a more urgent time horizon of 'Act Now'. We strongly hold the view this policy area should come under a more concise heading and a distinct objective of Security and Resilience of the Network. This is not covered as a specific policy area, but rather dispersed and embedded into other SDS objectives. When the network size, demand for connections, and investment is increasing at pace, ensuring this is a distinct, focused area, with clear routes to modification prioritisation, is crucial.

In addition, we would have expected the D-Code to be included in the list of relevant industry codes. This code specifies technical requirements for connections to the Distribution network and there is live work in this policy area on this specific code.

**10.3: Strengthen cyber resilience**, removal is a concern. While Ofgem indicated in the SDS2 workshop that the strategy document better addresses the issue, it would be very valuable to see more detail on the process behind this. Given the major risk for networks and all operators to cyber threats that this policy area poses to the security of supply of our networks, we would want to understand the rationale of this policy area's exclusion. We would also want the comfort that should modifications need to be raised in this policy area, that they have the appropriate routes to have the code modification raised including as an urgent modification and that the impact is not that the policy area could be de-prioritised or slowed as a result of exclusion from the SDS2.

**14.2 Asset Visibility** which had the policy context of large small-scale assets will be installed to the energy system over the coming years, as part of decarbonising the energy system, heat and transport. Higher registration rates of small-scale assets will improve DNOs' ability to manage, plan and reinforce the network at lowest cost. There is high interest in visibility and control by NESO across multiple initiatives, therefore we would expect to see, and strongly encourage this policy area to be labelled as 'Act Now', rather than the current categorisation of 'Think & Plan'.

Q2. 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.

We would reiterate that Listen & Wait is not useful terminology in this context of accelerated delivery to achieve national decarbonisation targets and enhance energy security. We would therefore suggest that Listen and Readiness for example would be more appropriate. When building the network at pace and with ambitious government targets, we would want to ensure the signal being sent to industry and investors through Energy Code Reform and the SDS2, does not contradict that endeavour by suggesting industry is "waiting".

On specific areas assessed against Ofgem's Multiyear Strategy:

**3: Enable competition and investability through financial resilience:** Whilst we support Ofgem's duty in enabling Competition it is paramount that this carefully considers Ofgem's embryonic Early Competition in onshore transmission in Energy Code Reform. We strongly believe Competitively Appointed Transmission Owners (CATOs) should be under the same licence rules and regulations as incumbent TOs and code signatories. However, given the novel nature of CATOs the SDS should draw on the experience and expertise of incumbent GB TOs.

**5.1: Oversee production and implementation of a new Strategic Spatial Energy Plan** using a category of listen and wait, is a passive approach to a known development and therefore have an expectation that policy is actively worked on, lending itself to a 'Think & Plan' category. We believe this being aligned to '5.2 Establish and implement mechanisms to realise the Centralised Strategic Network Plan', categorised as 'Act Now' given its earlier publication date would be appropriate.

**6.1: Continue to drive accelerated onshore network investment,** we believe this area having a 'Listen and Wait' time horizon is entirely inappropriate given the criticality of essential network investment across the RIIO-T3 period required to support decarbonisation ambitions including Clean Power 2030, which has received Ofgem's regulatory approval. This should be reviewed and, in our view, should be reallocated to 'Act Now'.

**10.4: Build resilience to extreme climate events and long-term climate change,** this is labelled as 'Think and Plan'. Given the need for consumer protection against new asset investments and the effects of extreme climate events and long-term climate change, this SDS objective should be a time horizon of 'Act Now'. Development of modifications to target climate are crucial works, industry should anticipate requirements and ensure codes are ready to manage scenarios.

Q3. 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?

As a framework, the SDS is easy to understand, and combined with the workshops surrounding it, has given clarity on how policy areas and the Energy Code Reform framework will work together. We welcome the addition of the Excel spreadsheet Ofgem has provided alongside the main document, to filter areas relevant to SPEN's Transmission and Distribution businesses respectively.

To support accessibility further, having a table which includes short one-line summaries of the policy areas embedded within the numbered objectives, along with other labelling. Such a table would assist in being easy reference for the main SDS, given the spreadsheet is too high level, and the main SDS2 document too detailed.

The size and the breadth of the SDS document and policy areas covered, make it a complicated document, which may be too big for stakeholders to fully grasp. It is likely there will be a reliance on the Code Administrator (or Code Manager in future) to interpret this. Given one of the Energy Code Reform objectives was to simplify and widen access to energy codes, we challenge Ofgem to consider if the SDS2 meets this objective. It is also likely the categorisation by code, ability for code participants to filter by SDS priority, that Ofgem have set out will be quite heavily relied upon, and already we can see through examples of the SSEP policy area, that this may not always be accurate in reflecting all possible affected codes. Whilst the filtering by code is useful, it should be made clear that this is a guide only for Code Managers and code participants, and modifications maybe prioritised by other SDS priorities not specifically identified as being code relevant.

Q4. 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?

Broadly, SPEN support the hybrid document status, with the understanding we will operate under BAU arrangements with the SDS only impacting the earlier phases until the relevant SDS documents come into place for phases 2 and 3.

We would underline that stronger stakeholder engagement from Ofgem would help address concerns that subsequent SDS documents wouldn't be fit for purpose because of earlier precedent set at SDS2 stage, for phases 2 and 3 of Energy Code Reform.

Within the day-to-day code management, supporting those that work on the codes to gain an appreciation of the process and how it works prior to the SDS becoming binding on that code, will ease the transition of the hybrid status, once the SDS documents become fully integrated. Familiarisation for Panels and Panel members should aid a smoother implementation process, particularly as we would expect some Panel Members to transition to be SAF members.

#### Q5. Do you have any other feedback?

Given the pace and challenge of CP2030 and the increasing importance of electricity network security of supply and what that represents for our network, we would ask Ofgem to ensure that all policy areas that come under this have been looked at closely, and don't send passive signals to "wait". We are concerned that code modifications would be de-prioritised because of the time horizon classification. While network policy works to long timescales and planning is done far in advance of network energisation, this requires long-term detailed planning. We would want to ensure that this vitally important work is not de-prioritised in larger codes against other policy that has 'Act Now' status.

It was positive to hear in the workshop for the SDS2 consultation, that Ofgem policy teams were inputting into the document. It is imperative that SPEN's role as a key stakeholder and expert advisor is maintained given our unparalleled technical and commercial knowledge and that experience continues to be utilised post reform. For the avoidance of doubt, our engagement as a key stakeholder needs to be managed differently from 'wider' stakeholders to ensure the economic, safe, secure, and resilient supply of electricity to the homes and business we serve, whilst adapting and facilitating the necessary steps to achieve national decarbonisation targets and enhance energy security.

We encourage Ofgem to set out their stakeholder engagement plan and further engagement around the SDS policy areas and across the wider Energy Code Reform. A cross TO workgroup and bilateral TO meetings to review the approach to implementation are imperative to stakeholders who are crucial in implementation phases.