
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	28/05/2026

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).	
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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:

National Gas (NG) considers that while SDS-2 identifies several relevant gas policy areas that are likely to require code change in the next 1 to 5 years, it does not yet present a fully joined-up strategic assessment of how the transition of the gas system is expected to be delivered through industry codes, particularly the Uniform Network Code (UNC) and (Independent Gas Transporters' UNC) IGT-UNC.

In particular, NG considers that the treatment of security of supply (SoS) within SDS-2 could be strengthened. Current references appear to focus primarily on emergency measures, such as ensuring the maintenance of emergency contacts. However, the Government's 2025 Gas System in Transition: Security of Supply consultation¹ highlights that SoS is a broader, forward-looking challenge encompassing system resilience, the ability to meet peak demand, and maintaining supply under low-probability, high-impact stress events. It also sets out a programme of policy development to ensure that the gas system can continue to provide both baseload supply and flexibility throughout the transition.

¹ [Gas system in transition: security of supply - GOV.UK](#)

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In this context, NG considers that SDS-2 would benefit from explicitly recognising that the outputs of the SoS policy programme are likely to drive code changes within the 1 to 5 year horizon, particularly where market arrangements and operational frameworks need to adapt to evolving system requirements.

The consultation also identifies the need for a commercial model that supports the ongoing viability of gas infrastructure during the transition. This is particularly relevant given the potential for declining output and changing usage patterns to create pressures on existing market participants. As highlighted in wider industry analysis, these dynamics may increase the risk of inefficient or premature market exit, which could in turn have implications for security of supply. NG therefore considers that there may be a need for code change to ensure that market arrangements remain sustainable and continue to support secure system operation over this period.

SDS-2 correctly identifies elements of policy area 7.2 (Prepare for repurposing and decommissioning of the gas grid) as an “Act now” priority, alongside others that remain within “Think and plan”, reflecting the differing levels of policy maturity across gas transition activities. This is a significant step, as it recognises that physical changes to the gas networks, including repurposing, decommissioning, disconnections, hydrogen blending and biomethane, will require near-term code engagement and medium-term readiness. We do acknowledge there is already established work packages across these areas and it is sensible for SDS-2 to reflect the importance and relevance of them. However, once this policy is treated as an immediate delivery priority, it necessarily brings with it a wider set of code questions that SDS-2 does not yet fully address.

In practice, changes under policy area 7.2 cannot be implemented without early consideration of how the costs of the existing gas network are recovered as usage patterns change. Policy area 7.1 (Recovery of cost for the existing gas network) is therefore a critical enabling element, yet it is positioned as “Think and plan”. From a gas code perspective, decisions on decommissioning and repurposing create unavoidable implications for charging, stranded assets and fairness between users, all of which are core UNC and IGT-UNC matters. NG therefore considers that SDS-2 does not yet fully reflect the extent to which code changes related to cost recovery are likely to be required within the same timeframe as 7.2.

Similarly, policy area 8.3 (Develop and implement a new economic regulatory framework for hydrogen pipelines) focuses on the introduction of the Gas Shipper Obligation as a funding mechanism for the Hydrogen Transport Business Model (HTBM). While this is an important element of hydrogen policy, it represents only one aspect of the code

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implications associated with hydrogen transport. From a UNC and IGT-UNC perspective, hydrogen raises wider questions around system operation, interactions with the natural gas network, governance arrangements and the treatment of shippers during transition. These broader issues are not yet clearly articulated within SDS-2 as potential drivers of code change in the next 1 to 5 years. However, we expect there to be a dedicated Hydrogen UNC equivalent which may eventually be passed onto the relevant Code Manager once the market is established whereas amendments to the existing UNC and IGT-UNC are required to enable hydrogen blending activities.

Finally, while biomethane is referenced within policy area 7.2, the SDS-2 does not yet fully reflect the extent to which increasing biomethane volumes are likely to require ongoing evolution of gas codes. There are various industry and government led projections that demonstrate the important role biomethane will play in a diverse energy system such as the Future Energy Scenarios Holistic Transition target of 64 TWh by 2050². If this is achieved, it will signal a move away from the traditional supply patterns that have been observed. Therefore, biomethane affects how gas enters the system, how assets remain utilised, and how gas quality and certification arrangements operate. These are not one-off issues linked solely to decommissioning, but enduring considerations for the UNC and IGT-UNC that may require further code modification during the SDS period.

Overall, NG considers that SDS-2 would benefit from more explicit recognition of these interconnected gas transition issues to provide a fuller strategic assessment of anticipated code change needs.

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.

- Disagree

Comments:

NG supports the use of time horizons within SDS-2 as a helpful way of signalling regulatory focus. We also agree with a number of the individual classifications, including policy area 10.1 (Pursue security of supply), where the identification of near-term action reflects the importance of maintaining system resilience and protecting consumers as the energy system transitions. However, we consider that for gas transition issues, the

² [Future Energy Scenarios \(FES\) | National Energy System Operator](#)

allocation of individual policy areas across different horizons does not always reflect the practical interdependencies that exist from a code delivery perspective.

SDS-2 identifies elements of policy area 7.2 as “Act now”, while other aspects remain within “Think and plan”, reflecting differing levels of policy maturity. While NG recognises that more developed areas may justify earlier action, the policy area as a whole comprises both near-term and longer-term considerations.

A more significant issue arises in relation to policy area 7.1, which is not just a forward-looking consideration but is already the subject of active code modification. In particular, UNC Modification 0903³ is currently with Ofgem for decision, demonstrating that cost recovery issues are already being progressed through formal code governance processes.

In this context, classifying 7.1 as “Think and plan” does not fully reflect the current levels of activity or urgency. The existence of a Modification indicates that code changes in this area are already underway. NG therefore considers that there is a strong case for reclassifying policy area 7.1 as “Act now”, to better align the SDS with the current delivery landscape.

More broadly, these issues highlight the close interdependency between policy areas 7.2 and 7.1. Decisions to repurpose or decommission parts of the network will require parallel clarity on cost recovery and user impacts, and may drive earlier code activity than the current SDS classification suggests.

A similar consideration applies to hydrogen-related policy areas. While timing remains subject to future government decisions, there is a credible case that preparatory code work may be required within the SDS period to support timely delivery once policy positions are confirmed.

NG also considers that greater transparency from Ofgem on the rationale for assigning time horizons to individual policy areas would enhance confidence in these classifications and help ensure that stakeholders can appropriately prioritise and sequence code activity, particularly where interdependencies exist.

NG therefore does not object to the time horizon framework itself, but considers that greater transparency on how interdependent policy areas are expected to be managed across horizons would improve its usefulness.

³ [The Introduction of a Single NTS Capacity Reference Price | Joint Office of Gas Transporters - Gas Governance](#)

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?

- Yes

Comments:

NG finds SDS-2 to be clearly structured and generally accessible, and it provides a useful high-level steer on Ofgem’s strategic priorities for code development. In this respect, the document supports early consideration of where code changes are likely to be needed.

However, while SDS-2 provides a clear and accessible high-level overview of strategic priorities, the level of detail remains insufficient to consistently support the identification and development of specific code modifications. In particular, for more complex policy areas such as 7.2 and 8.3, the high-level nature of the SDS makes it challenging to determine the nature, scope and timing of the code changes required to deliver government policy.

Where policy development remains uncertain or incomplete, the SDS is not yet able to provide the level of clarity required for code parties to confidently initiate and progress modifications. As a result, the effectiveness of the SDS in enabling code change remains dependent on the maturity of the underlying policy framework.

As a result, while SDS-2 is helpful in signalling direction, additional strategic clarity would support better prioritisation and sequencing of gas code change activity and reduce the risk of inefficient or premature modifications.

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?

- Don’t know/no view

Comments:

NG has taken a neutral position on the proposed conversion of SDS-2 into a hybrid document.

We consider that the practical implications of the proposed hybrid approach are not yet fully clear, particularly in relation to how the role and function of the SDS will change once certain codes are designated. While the consultation outlines that the SDS will

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become binding for designated codes and remain indicative for others, there is limited clarity on how this will translate into expectations for non-designated codes in practice, or how code administrators and parties will be expected to respond during this transitional period.

In practice, SDS-2 already sets out “Act now” expectations that apply to gas codes such as the UNC and IGT-UNC, particularly under policy areas 7.2 and 8.3. However, these gas codes are not expected to be designated at the same time as the BSC and REC. Once designation occurs, SDS-2 will therefore have binding effect for some codes while remaining indicative for others.

We also note that NG is not a party to the BSC or REC and is therefore not best placed to comment on aspects of the proposal that relate specifically to the operation of those codes under the new governance arrangements. Given this, we consider that further clarity on the practical application of the hybrid model, particularly in relation to expectations on non-designated codes, would support more informed stakeholder views.

NG does not oppose this approach, but considers it important that expectations placed on non-designated gas codes remain clear and proportionate during this transitional period, and that SDS-2 continues to be framed as strategic guidance rather than binding direction for those codes.

Question 5 - Do you have any other feedback?

Comments:

SDS-2 represents a positive step in strengthening strategic direction for code development. As attention turns to delivery, particularly for gas transition policies, NG considers that future iterations would benefit from more explicit linkage between related policy areas such as 7.2, 7.1 and 8.3, to reflect how gas code changes will need to be developed in a coordinated way.

We recognise that in some areas the SDS is signalling early-stage development rather than immediate implementation. However, clearer differentiation between exploratory activity and more advanced delivery would further improve its usefulness.

NG also considers that maintaining Security of Supply remains a central objective throughout the transition, and that future iterations of the SDS could more clearly reflect how code development will support this alongside wider decarbonisation goals.

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Overall, improved clarity on policy interdependencies and the sequencing of expected code change would support more effective and timely delivery across the industry.

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 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

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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.