

Consultation name: Consultation on the draft second preliminary Strategic Direction Statement

Issued by: Ofgem

Territorial extent: Great Britain

Response author: SGN

Deadline for responding: 28th May 2026



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28th May 2026

Consultation on the draft second preliminary Strategic Direction Statement

Thank you for the opportunity to respond to the above consultation¹. Our responses to the questions posed follow on from the previous engagement by SGN with Ofgem's ongoing Energy Code Reform and Strategic Direction Statement consultations.

As a Gas Transporter we have provided responses to this consultation based on the areas within the Strategic Direction Statement (SDS) which relate to Industry Codes to which we are party – primarily the Uniform Network Code (UNC) but also the Smart Energy Code (SEC) and Retail Energy Code (REC).

Implementation of the Unified Gas Network Code (UGNC) is allocated to Phase 2 of Energy Code Reform, and as such the initial stages of Code Manager appointment are underway, however it is unlikely that a licenced and empowered UNC Code Manager will be in place prior to 2027. As such, adherence with the Hybrid SDS is currently on a good faith, collaborative industry basis to the extent which the current framework and licence allows. For example, as Gas Transporters we are supporting the UNC Code Administrator (Joint Office, delivered by Encodar) in consolidation of the UNC and Independent Gas Transporter UNC (iGT UNC), in addition to governance amendments such as the Modification Prioritisation process.

Similarly, SGN is proactively engaging with the National Energy System Operator (NESO) to develop the Regional Energy Strategic Plans (RESPs) and Centralised Strategic Network Plans (CNSPs).

Whilst we are clearly committed to adopting the Hybrid SDS, it should be noted that certain requirements are more challenging and may be subject to outstanding policy decisions, for example recovery of gas network costs, and repurposing / decommissioning of the gas grid. SGN continues to engage with Ofgem and DESNZ in relation

¹ [Consultation on the draft second preliminary Strategic Direction Statement for industry codes | Ofgem](#)

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to such matters and therefore progress continues, however delivery expectations should be mindful of the multiple dependencies and also should not pre-suppose an outcome before such decisions are taken.

Should you wish to discuss further, please do not hesitate to contact me at Sally.Hardman@SGN.co.uk.

Yours faithfully,

Sally Hardman

Regulatory Process Manager

SGN

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Response Template Part 1: Organisational Details

Contact name	Sally Hardman
Role title	Regulatory Process Manager
Company name	SGN
Telephone number	
Email address	sally.hardman@sgn.co.uk
Date of submission	28 th May 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).	No

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Response Template Part 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.

- Neither agree nor disagree

Comments: Many of the SDS requirements are already under development, in advance of Phase 2 Code Manager implementation. However, certain requirements cannot be meaningfully progressed until the associated policy dependency is resolved, and the SDS should not prescribe activities which presuppose a certain outcome – such as *7.1 Recover the cost of the existing gas network* and *7.2 Prepare for repurposing and decommissioning of the gas grid*.

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.

- Neither agree nor disagree

Comments: We recognise the benefits of defining timespans under the Act now, Think & Plan and Listen & Wait horizon. However, as per our response to Question 1, some of the activities indicated as Act Now – for example *7.2 Prepare for repurposing and decommissioning of the gas grid* - within the SDS remain subject to outstanding policy decisions. Furthermore, other requirements – such as *7.1 Recover the cost of the existing gas network* – are described as Think & Plan, when we would instead suggest an Act Now approach, in order to clearly and quickly define the strategy of an activity which may be subject to a diminishing timeline.

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: The SDS is relatively easy to navigate and understand. As discussed in our response to Question 2, the defined timespan descriptions are helpful and accessible.

The SDS itself does not provide a significant amount of detail in terms of the specific expectation of each requirement – SGN is actively engaged and is therefore aware of the context of such requirements through the wider industry developments which are taking place, however the detail of the SDS may be less accessible to parties who are less able to engage in industry discussions.

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As discussed, there is a notable challenge in enabling industry parties to engage and progress certain required changes which are dependant around Policy direction, and it could be helpful to call out such dependencies within the SDS.

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: As a GT, the main impact of Code Reform to SGN is through the UNC, which is scheduled for Phase 2 implementation, the SDS remains without formal governance standing for the time being. However, in practice, and in advance of the UGNC Code Manager being in place, elements of the relevant changes to the UNC processes are already being implemented (such as the modification prioritisation process), and as such the GTs and wider UNC participants are already informally complying with the SDS expectations.

In our view, this demonstrates that the SDS can successfully function as a hybrid document, which enables the benefits of the SDS – for example the coalescence around defined priorities – to begin to materialise in advance of full Energy Code Reform (and Code Manager) implementation.

Question 5 - Do you have any other feedback?

Comments: None