

29th May 2026

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Annie Appleton
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU



Dear Annie Appleton,

**Consultation on the draft second preliminary Strategic Direction Statement –
Cadent Gas Limited non-confidential response**

We remain supporters of the Strategic Direction Statement (SDS) as a key structural feature of Energy Code Reform, and the important clarity that it will provide to code managers, if drafted and delivered in an effective manner. In our view, “effective” means that Ofgem fully maximise the opportunity to shape the strategic direction of the energy codes, addressing material issues for consumers and industry. Additionally, an “effective” process means that, in exceptional but necessary circumstances, Ofgem aid code managers with the delivery of transformational change through complementing the SDS with Significant Code Reviews (SCR).

The SDS’s consolidated view of Ofgem’s, Government’s, and NESO’s assessment of strategic policy developments, which may require facilitatory code changes, provides wider industry with important signals of the direction of travel across the different sectors. As such, it is important that the SDS is whole system in its thinking and considers strategic opportunities for improved consumer outcomes in all vectors.

We have provided specific comments in response to each of the consultation’s question in the below appendix, and we would welcome the opportunity to share our thinking on the SDS and Energy Code Reform more generally. We look forward to continued engagement with Ofgem as Energy Code Reform continues to be implemented, especially under the Phase 2 Unified Gas Network Code, where we have been collaborating with incumbent partners to prepare for the transition to a reformed gas network code.

Yours faithfully,

Edward Allard
Industry Codes Manager

Appendix 1 – Responses to Consultation 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 1-5 years? If so, please specify.

- Yes
- Comments:

We consider there to be missing content within the second preliminary SDS, both from the standpoint of strategically important areas that will or may require code modifications, and the necessary policy clarity that will allow significant gas sector developments to be progressed from “Listen & Wait” to “Act Now”.

Whilst we principally agree with the inclusion of the chosen, predominantly industry-led gas network code objectives within the second preliminary SDS, we believe there are valuable additions that could be made. Firstly, the gas distribution networks (GDNs) secured investment in past price controls to deliver irons mains replacement programmes, and we think leakage management will remain an important issue for industry and consumers throughout the energy transition. All GDNs included ambitious deliverables in their RIIO-GD3 business plans relating to fugitive emissions measurement and reduction. Technologies such as Advanced Leak Detection (ALD) and the Digital Platform for Leakage Analytics (DPLA) will revolutionise GDNs’ shrinkage measurement and reporting. The UNC prescribes GDNs’ annual process for shrinkage forecasting, procurement, and reconciliation, and code modifications may be required to enable process modernisations driven by ALD and DPLA. Recent UNC modifications such as 0843 and 0904R demonstrate the importance stakeholders place on GDNs’ shrinkage measurement and reporting, and inclusion within the SDS will help retain industry’s focus.

Secondly, the SDS should reflect the change taking place in how parties enter and exit gas from the network. Industry is gradually moving away from “beach to meter”, and a more varied range of gases is now entering the network at both distribution and transmission levels. Modifications like UNC 0808, 0887 and 0842 have created an expanded role for Independent Gas Transporters (IGTs), and gas is now able to pass in multiple directions between GTs and IGTs (principally to enable biomethane injections), with inconsistent charging arrangements applied. Additionally, networks are seeing a growing number of requests for atypical demand connections from customers such as power generators and data centres. These requests can be atypical through a customer requesting a unique usage profile, a significant load, and/or a gas connection on a timebound basis. We believe there would be value in Ofgem encouraging a review of the system access and charging arrangements to reflect the evolutions in how gas is introduced and exited from the Total System.

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With regards to the observed SDS areas where incomplete policy clarity is preventing strategic direction and objectives progressing from “Listen & Wait” to “Act Now,” we note that in many cases, Government (and not Ofgem) decisions are needed to unlock progress. However, we feel that the benefits of the SDS and a code manager’s regulatory obligation to give effect to its contents are not fully realised by the current uncertainty over several strategically important gas framework issues. In contrast, many “Act Now” objectives in the electricity codes relate to transformational projects such as Connections Reform, Market Re-design and Clean Power 2030, providing industry and prospective code managers with the immediate opportunity to affect strategic change.

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 generally agree with the SDS’s categorisation of objectives and sub-objectives into the categories of “Act Now,” “Think & Plan,” “Listen & Wait.” As noted above, the most transformational and impactful developments in the gas market framework are predominantly classified as longer-term objectives. This classification may be unavoidable at this time, but we think the opportunity provided by Energy Code Reform to drive strategic change for the benefit of consumers and industry is limited whilst there is remaining policy uncertainty.

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?

- Do not know/no view
- Comments:

Our response to this question is mainly founded on our position and expertise within the UNC. In contrast to some examples within the electricity codes, a number of areas identified for development within the UNC cite existing industry-led modifications and projects – for example, UNC modifications 0894/A, 0900, and 0849R. Resultingly, and in some cases, it is difficult to draw conclusions on the code modifications necessitated by the second preliminary SDS over and above the existing industry-initiated proposals. Illustratively, the biomethane category cites in flight UNC modifications and simply states Ofgem’s encouragement for code changes in the green gas space; it is unclear as to what additional modifications may be required despite the “Act Now” immediacy.

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

- Yes
- Comments:

No further comments.

Question 5 – Do you have any other feedback?

- Comments:

No further feedback.