



Making a positive difference
for energy consumers

Second Preliminary Strategic Direction Statement

15/09/2026

Enabling strategic change through industry codes

Second preliminary Strategic Direction Statement for industry codes

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Director Foreword

Since publication of the first preliminary Strategic Direction Statement (SDS) in 2025, the significant pace of change across the sector has continued. Industry codes are a vital mechanism for translating policy and regulatory ambitions into practical change. A shared understanding of the sector's strategic priorities, combined with agile and effective delivery through industry code modifications, is more important than ever to support the scale and pace of transformation now required.

The energy code reform programme has delivered a number of important milestones in recent years. The coming year represents the next major stage of that journey, with the first code manager expected to be appointed and the first codes transitioning into the new governance framework, marking a fundamental shift towards a more strategic, coordinated and agile approach to code governance.

The new framework is designed to help ensure that the codes better support the needs of consumers, investment and the wider energy transition. It will strengthen accountability, improve prioritisation and create clearer mechanisms for delivering strategic change. It will also place greater emphasis on simplifying and improving the accessibility of the codes, making them easier for stakeholders to engage with and helping to reduce unnecessary administrative burden.

This second SDS builds on the foundations established in 2025. It provides an updated assessment of the government policies and energy sector developments that we expect to require code changes. It also provides greater clarity on the actions we expect industry to take, helping stakeholders to plan, prioritise and prepare for future change. As the first codes enter the new governance framework, the SDS will play an increasingly important role in shaping delivery plans, investment decisions and code development activity.

The wider policy landscape will continue to evolve, including through the government's future Strategy and Policy Statement for Ofgem and the implementation of the Ofgem Review. However, the overall direction of travel is clear. Delivering an energy system that meets the needs of consumers and the country will require coordinated action across government, Ofgem, NESO and industry. Effective code governance is an essential part of that effort.

I am encouraged by the progress already made by industry in implementing the first SDS and preparing for the transition to the new framework. I look forward to working with stakeholders over the coming year as we take the next steps in delivering energy code reform and ensuring that the codes continue to support the transformation of Great Britain's energy system.

Cathryn Scott

Director, Market Oversight and Enforcement

Executive Summary

Great Britain's energy system is undergoing a profound transformation. As we move toward a cleaner system that works better for consumers and the country, we need to modernise the frameworks and governance that underpin the entire energy system. Energy codes — the technical rulebooks that enable our system to function — must evolve to keep pace with the transformation happening within our energy system.

The role of energy codes in delivering strategic change and the need for energy code reform has never been clearer. Updating the governance and structure of energy codes will help ensure that the system is agile, transparent, and capable of supporting innovation at scale. This includes creating clearer pathways for new technologies, accelerating connections, and ensuring that consumers remain protected and empowered as the system becomes increasingly data rich, digital and decentralised.

The government has emphasised the central role that regulation and regulators play in delivering economic growth. As part of that, it has set a 25% target for reducing the administrative burden of regulation as stated in the [New approach to ensure regulators and regulation support growth](#). Ofgem's new Predictable, Agile, Collaborative and Technology-enabled (PACT) principles are intended to shape how we regulate and how we work with industry. Through energy code reform, we aim to create a more predictable and agile framework that supports investment, reduces unnecessary administrative burden and enables strategic change to be delivered more efficiently. We encourage code administrators, code managers and code parties to take the same approach, actively identifying opportunities to simplify, streamline and modernise existing code arrangements.

It is a pivotal year for energy code reform. By the end of the year, we expect the first code to begin operating under the new governance arrangements. This will mark the beginning of a hybrid period in which some codes operate under the new framework, while others continue under the existing structure. We envisage that as a result, this Strategic Direction Statement (SDS) and future SDS's will need to reflect this mixed governance landscape.

Going forward, we expect that code changes to implement the SDS may follow several different delivery routes. This will depend not only on whether a code has transitioned to the new arrangements, but also whether legislative powers exist for a relevant authority to modify the codes (for example under the Planning and Infrastructure Act 2025). Regardless of the delivery route, our aim remains to ensure the SDS provides industry with clear direction on how it can support the implementation of strategic priorities.

Second preliminary Strategic Direction Statement for industry codes

This second preliminary¹ SDS (SDS-2) builds on the success of the first by providing an updated assessment of the need for code modifications relating to the policies and energy sector developments covered in this document. To facilitate implementation, SDS-2 also seeks to ensure clear direction for each policy area captured within it. It brings this together in a single document for Ofgem, code administrators, code managers, code panels and parties to act on. We are grateful to all respondents who provided valuable feedback during the consultation. Their input has helped shape this final SDS-2, with changes made to strengthen, clarify and update the document.

As before, the SDS is structured around three time horizons: ‘Act now’, ‘Think and plan’, ‘Listen and wait’. The ‘Act now’ category covers policy areas that we expect will or may require code changes to be developed and, in most instances, implemented within two financial years of the publication of the SDS (by April 2028).

The tables below summarise the ‘Act now’ policy areas.² Table 1 sets out the ‘Act now’ policy areas where we are able to provide a specific direction. Table 2 covers areas where key decisions are still pending and we are asking industry to be ready to act.

Table 1. Policy areas within the ‘Act now’ time horizon, where there is a specific direction.

Policy area and description	Objective number	Expected implementation timeline for relevant code changes	Codes which could be impacted
Improve protections for all consumers, particularly the vulnerable	2.1	By April 2028	REC, SEC, BSC
Centralised Strategic Network Plan development	5.2	By end of 2026, and ongoing	CUSC, D-CODE, DCUSA, GRID CODE, IGT-UNC, SQSS, STC, UNC
Regional Energy Strategic Plan development	5.3	2027 - 2028	CUSC, D-CODE, DCUSA, GRID CODE, IGT-UNC, STC, UNC

¹ A ‘preliminary’ SDS is one that addresses industry codes that have not yet been designated by the Secretary of State pursuant to section 182 of the Energy Act 2023.

² These tables summarise the policy areas which have been placed in the ‘Act now’ category. There are policy areas in the below tables that have also been categorised in other time horizons. Therefore, some of the changes for certain policy areas will fall into the ‘Think and plan’ or ‘Listen and wait’ timeframes – please see the specific sections for further details.

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Policy area and description	Objective number	Expected implementation timeline for relevant code changes	Codes which could be impacted
Accelerate the delivery of onshore network projects	6.1	Throughout 2026 - 2027	GRID CODE, STC, SQSS
Anticipatory Investment	6.2	Throughout 2026 - 2027	CUSC
Biomethane	7.2	Throughout 2026 - 2027	IGT-UNC, UNC
Funding hydrogen infrastructure – the Gas Shipper Obligation	8.3	By April 2028	IGT-UNC, UNC
Rollout of Low Carbon Technology	9.2	Throughout 2026, 2027 and up to April 2028	D-CODE, DCUSA, REC
Frequency Risk and Control	10.1	Throughout 2027	SQSS, STC
Grid Forming	10.1	By April 2028	GRID CODE, D-CODE
Ramping Arrangements	10.1	By April 2028	BSC, D-CODE, GRID CODE
Emergency Contact Arrangements for industrial gas consumers	10.1	By April 2028	UNC, IGT-UNC
Reform energy code governance to enable faster, more strategically aligned rule changes across the sector	11.2	Throughout 2026, 2027 and up to April 2028	ALL
Increasing market access for consumer-led flexibility	13.1	Throughout 2026, 2027 and up to April 2028	BSC
Wider barriers to consumer-led flexibility	13.1	By April 2028	BSC, CUSC
Data Communication Company's Successor licence	13.2	By 02 November 2026	REC, SEC

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Policy area and description	Objective number	Expected implementation timeline for relevant code changes	Codes which could be impacted
Market-wide Half-hourly Settlement	13.3	Early 2027	BSC, REC, SEC
Digitalisation	14.1 & 14.2	By end of 2026	ALL
Regulatory flexibility for innovation	N/A	By April 2028	ALL

Table 2. Policy areas within the ‘Act now’ time horizon where detail on the code modifications required to implement this policy will depend on forthcoming policy decisions. We ask stakeholders to be ready to act to support implementation by April 2028.

Policy area and description	Objective number	Expected implementation timeline for relevant code changes	Codes which could be impacted
Non-domestic retail policy	2.2	By April 2028	REC, SEC, DCUSA
Strategic Demand Connections	9.2	By April 2028	CUSC, DCUSA, D-CODE, GRID CODE, STC, SQSS
Reformed National Pricing – Siting and Investment Lever Reforms	12.1	By April 2028	CUSC, DCUSA, GRID CODE
Reformed National Pricing – Balancing, Settlement and Dispatch Reforms	12.1	Begin in 2027, by April 2028	BSC, CUSC, DCUSA, GRID CODE, REC, SEC
Transmission and Distribution Network Charging and Other Reforms	12.2	By April 2028	BSC, CUSC, DCUSA
Smart Secure Electricity Systems: Tariff data interoperability	13.1	By April 2028	REC

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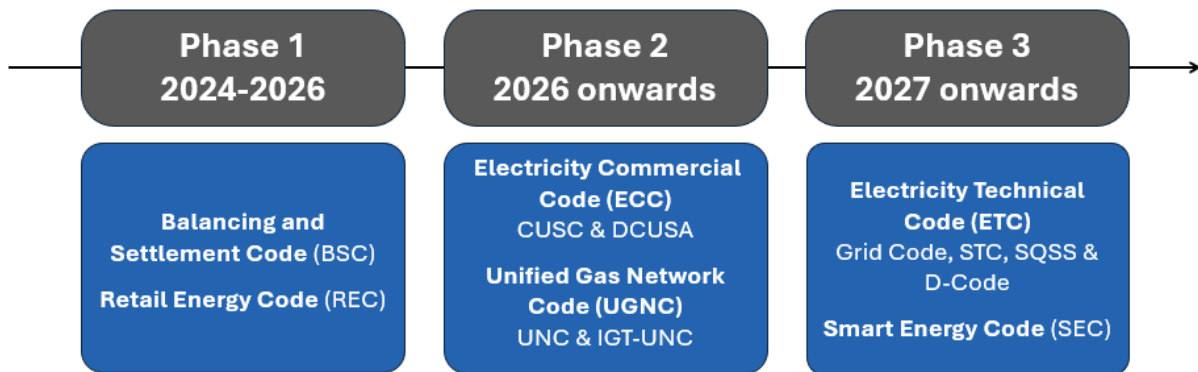
Policy area and description	Objective number	Expected implementation timeline for relevant code changes	Codes which could be impacted
Smart Secure Electricity Systems: Enduring governance	13.1	By April 2028	BSC
Smart metering and retail market operations	13.2	By April 2028	BSC, REC, SEC
Implications of possible participation in the EU Internal Electricity Market (IEM)	N/A	By April 2028	All codes

Introduction

Industry codes play a critical role in delivering strategic change. Many of the rules that govern the operation of the energy system sit within industry codes. These codes set the rules for a wide range of commercial and technical activities, from how parties connect to the electricity and gas networks, to how consumers switch suppliers, to who can access consumption data. Modifications to these codes are a critical lever for system change, providing a key mechanism for implementing government and Ofgem's policy priorities.

Energy code reform (ECR) aims to turn energy codes into an effective engine for wider system change. It replaces the current industry governance framework for updating the codes with a simpler, more agile and forward-looking new framework, as enabled by the Energy Act 2023. ECR is being implemented in 3 phases:

Figure 1: Overview of Energy Code Reform implementation phases



Phase one is between 2024 to 2026. The code modifications that are implemented in this phase are:

- Balancing and settlement code (BSC)
- Retail Energy Code (REC)

Phase two is 2026 onwards. These code modifications that are implemented in this phase are:

- Electricity Commercial Code (ECC), which includes CUSC and DCUSA
- Unified Gas Network Code (UGNC), which includes UNC and IGT-UNC

Phase three is 2027 onwards. The code modifications that are implemented in this phase are:

- Electricity Technical Code (ETC), which includes Grid Code, STC, SQSS and D-Code
- Smart Energy Code (SEC)

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A key element of the new framework is Ofgem³ publishing an annual strategic direction statement⁴ (SDS) to help coordinate and prioritise strategic change within the codes. The SDS includes a strategic assessment of government policies and developments in the energy sector that we consider will or may require code modifications. In August 2025, we published the [first preliminary SDS](#) (referred to throughout this document as SDS-1).

We anticipate that phase 1 of ECR, covering the Balancing and Settlement Code (BSC) and the Retail Energy Code (REC), will see the REC designated by the Secretary of State by the end of 2026⁵, with the BSC following in early 2027.

This document is particularly relevant to existing code administrators, future code managers, code panels, code parties and Central System Delivery Bodies. We expect these stakeholders to work together to consider how the strategic priorities outlined in the SDS can be integrated into and delivered through the existing code governance arrangements. We also encourage these parties to actively consider opportunities to simplify and streamline existing provisions. Further detail on stakeholder roles is provided in the ‘Roles and Responsibilities’ section. We encourage all parties to see the opportunities this SDS presents for driving strategic change and delivering positive outcomes for consumers through the codes.

How to read this document

The ‘**Legislative Framework**’ section explains the Gas and Electricity Markets Authority’s (GEMA) obligation in the Energy Act 2023 (the “Act”) to publish an SDS. References to the “Authority”, “Ofgem”, “we” and “our” are used interchangeably in this document. The Authority refers to GEMA. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work.

‘**The second preliminary SDS (SDS-2)**’ section explains our approach to publishing this SDS, including the proposed code governance changes that are designed to facilitate implementation of the SDS.

³ References to the “Authority”, “Ofgem”, “we” and “our” are used interchangeably in this document. The Authority refers to GEMA. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work.

⁴ An explanatory definition of ‘SDS’ is included in the glossary, please refer to Appendix 5.

⁵ Codes will be designated by the Secretary of State (per section 182 of the Energy Act 2023) prior to code manager appointment. The first code manager is expected to be appointed by end of 2026. This designation is separate from the designation of ‘qualifying documents’, under paragraph 1 of Schedule 12 to the Energy Act 2023. The ‘qualifying documents’ designation is a transitional measure, allowing Ofgem to use its transition powers on codes that have been identified as qualifying documents. We expect the designation of industry codes to happen in phases. Throughout this document, references to ‘designation of industry codes’ should be read as referring to the designation of one or more specific codes, as applicable.

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The **‘Ofgem’s Duties’** section summarises Ofgem’s duties. Please see Appendix 1 for further information on our duties, our Consumer Interest Framework and how these have informed the SDS.

The **‘Roles and Responsibilities’** section outlines the roles and responsibilities of Ofgem, future code managers, code administrators⁶, Central System Delivery Bodies⁷ (CSDBs), code panels, code parties and other relevant bodies, in implementing the SDS. Roles and Responsibilities for preparing and publishing the SDS can be found in Appendix 2.

The **‘Prioritisation and colour coding’** section explains how prioritisation and colour coding has been used in the SDS to help improve readability. See Appendix 3 for further detail on colour coding.

‘Section 1: Strategic policy context’ summarises how we have undertaken our strategic assessment of government policies and wider energy sector developments, and highlights some of the factors we have considered in carrying out our assessment.

Sections 2-4 set out the policy areas that Ofgem considers will or may require changes to industry codes, following the strategic assessment set out in section 1.

These sections follow the structure of Ofgem’s Multiyear Strategy and are ordered based on the strategic priority and objective that they contribute to.

- **Section 2: Shaping a retail market that works for consumers**
- **Section 3: Enabling infrastructure for net zero at pace**
- **Section 4: Establishing an efficient, fair and flexible energy system**

Ancillary Document 2: Second preliminary Strategic Direction Statement spreadsheet is a spreadsheet that contains the policy areas identified in sections 2-4. This spreadsheet can be filtered by relevant code and time horizon. We expect that this spreadsheet will be a useful tool in implementing the SDS by helping stakeholders to identify which changes are relevant to them.

⁶ Throughout this document ‘code administrators’ includes the existing code manager of the Retail Energy Code. This is to avoid confusion with future code managers that will be appointed as part of code governance reform.

⁷ Throughout this document ‘CSDBs’ refers to the five central systems that were designated as ‘qualifying central systems’ by the Secretary of State for the purposes of Schedule 12 of the Energy Act 2023 on 29 January 2025. These are: the central system delivery function underpinning the gas industry arrangements (including those contained in the UNC), currently undertaken by Xoserve; the central system delivery function underpinning the electricity industry balancing and settlement arrangements, currently undertaken by Elexon; the central system delivery function underpinning the rules and requirements for service delivery for smart metering that are under the SEC, currently operated by the Data Communications Company (DCC); the central system delivery function underpinning the Data Transfer Service, which carries data used in the change of supplier process (as required by the REC and BSC), currently operated by Electralink; and, the Central Switching Service, as required by the REC, currently operated by the DCC.

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Legislative Framework

Ofgem’s obligation to publish an annual SDS for ‘designated documents’ is contained in [section 190 of the Energy Act](#).

Under section 190(1) and (2) Ofgem must publish an annual SDS for designated documents. As set out in section 190(3), the SDS must contain a strategic assessment of government policies, and of developments relating to the energy sector, that Ofgem considers will or may require the making of modifications to designated documents; and cover such other matters relating to designated documents as the Secretary of State may specify in regulations. In preparing the SDS, the Act requires Ofgem to have regard to any advice given to it by the Independent System Operator and Planner so far as relevant to the SDS (section 190(4)). In September 2024, NESO was formally designated as the Independent System Operator and Planner. Under section 190 (5) Ofgem must, before publishing an SDS in any year, publish a notice containing a draft of the document and consider any representations about the draft made within the period specified in the notice.

The obligation to publish an annual SDS has not yet come into effect as, at the time of publishing, no industry codes have been designated by the Secretary of State. We expect the first code to be designated by the end of 2026, at which point our obligation will come into effect. Please see ‘The second preliminary SDS’ section, below, for further details.

ECR will be implemented in phases. At the point of first designation (by the end of 2026), we will enter a phase of hybrid governance, during which some codes will have transitioned to the new governance framework with an appointed code manager, and other codes will still be operating under the legacy framework with code administrators. We recognise that any future SDS prepared and published after designation of the first codes will be a hybrid⁸ document — part preliminary⁹, part formal¹⁰ – addressing both designated and not-yet-designated codes. This will be the case until all codes are designated.

⁸ A ‘hybrid’ SDS will address both designated and not-yet-designated codes, until all codes have been designated. At first designation, we will enter a phase of hybrid governance, during which some codes will have transitioned to the new governance framework with an appointed code manager and legal obligations to deliver the SDS, and other codes will still be operating under the legacy framework with code administrators.

⁹ A ‘preliminary’ SDS is one that addresses industry codes that have not yet been designated by the Secretary of State pursuant to section 182 of the Energy Act 2023.

¹⁰ A ‘formal’ SDS is one that addresses industry codes that have been designated by the Secretary of State pursuant to section 182 of the Energy Act 2023.

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The second preliminary SDS (SDS-2)

We anticipate that phase 1 of energy code reform, covering the Balancing and Settlement Code (BSC) and the Retail Energy Code (REC), will see the REC designated by the Secretary of State by the end of 2026, with the BSC following in early 2027. Given that this document has been published before the designation of any codes, at the point of publication, SDS-2 will therefore be the second preliminary SDS.

As such, following the designation of the BSC and the REC, we expect to publish a letter (or letters) that sets out:

- the extent to which our conclusions contained in the SDS-2 remain unchanged for the BSC and the REC and where applicable, explains any updates that may be included;
- that the SDS-2 is to be treated as formal in the context of section 190 of the Energy Act in so far as it applies to the BSC and the REC;
- that the SDS-2 is the document that the code manager (and other affected energy licensees and code parties) should refer to when fulfilling any obligations that relate to the SDS (in so far as they relate to the BSC and the REC). This includes the code manager licence obligation to prepare and publish a plan that details how it will facilitate delivery of the requirements of the SDS, and an annual budget relating to their activities.

The process for preparing this second preliminary SDS is consistent with the process set out in section 190 of the Energy Act 2023. As such, we do not intend to re-run the consultation relative to the SDS-2 in respect of the BSC and the REC after such codes have been designated. Please see the ‘Approach to the Strategic Direction Statement’ section of the [Consultation on the draft second preliminary SDS](#) for further details. Our proposed approach to the conversion of the SDS has been discussed with government.

Ofgem’s duties

Ofgem is Great Britain’s independent energy regulator. We work to protect energy consumers, especially vulnerable people, by ensuring they are treated fairly and benefit from a cleaner, greener environment. Our principal objective, enshrined in legislation, in carrying out our functions is to protect the interests of current and future consumers. We must also consider their interests in the Secretary of State’s compliance with the Climate Change Act, the government’s legal obligation to get to net zero by 2050 and our duty to have regard to the promotion of sustainable economic growth. Ofgem’s [Multiyear Strategy](#) (MYS) sets out how we plan to do this through our key strategic priorities over the coming years. Please see Appendix 1 for further information about Ofgem’s duties, our Consumer Interest Framework and how these have informed the SDS.

In the Ofgem Review, government has signalled its intention to introduce three principal objectives, focusing on the interests of existing and future consumers, net zero and

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growth. Changes to our existing duties will require legislative change and, once in force, those new duties will be considered as part of any future SDS.

Roles and responsibilities in implementing SDS-2

This section sets out the roles and responsibilities for implementing the SDS. We expect that these roles and responsibilities will change over time, particularly as industry codes transition to the new governance framework. Please see Appendix 2 for further information about the roles and responsibilities for preparing and publishing the SDS.

Summary

At a high level, government is responsible for setting energy policy direction which will inform the SDS. Ofgem is responsible for assessing that policy and other developments related to the energy sector (as set out in ‘Legislative Framework’) when drafting the SDS. NESO has the opportunity to provide relevant advice to inform the SDS, which Ofgem must have regard to.

Code managers, code administrators, CSDBs, code panels and parties play an important role in implementing the SDS, through raising code modifications and participating in work groups, as set out below. Responsibility for developing and implementing SDS delivery plans will ultimately sit with the new licensed code managers once appointed. Ofgem will also play an important role in SDS delivery, both during the transition period and under the new energy code governance framework.

Ofgem

Ofgem has a key role to play in supporting the implementation of the SDS. For the SDS to be effective, it must give industry the information it needs to develop delivery plans and budgets that align with the priorities set out in the SDS. It must also provide clear direction to help industry progress SDS-aligned code modifications, where required.

Ofgem will also regulate the new code managers. Our regulatory approach to supervising code manager performance aims to ensure code managers deliver on their obligation to implement the strategic priorities set out in SDS. Please see ‘Future Code Managers’ below for further details.

Implementing the SDS also requires effective decision making on SDS-aligned code modifications. To support the delivery of a more strategic, transparent and predictable code governance regime, we have developed a new framework of Ofgem-specific metrics and key performance indicators (KPIs). Informed by stakeholder feedback received through our [February 2026 Call for Input: Proposed indicators: Ofgem performance and energy sector health](#), the framework is designed to promote three broad outcomes: the early identification of modifications that Ofgem considers to be of particular strategic importance; assessment and delivery of the appropriate level of

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Ofgem engagement as those modifications progress through the process; and greater predictability in the timing of our decisions.

Our approach recognises the need to balance timeliness with robust, evidence-based assessment of complex issues. The framework therefore builds on existing arrangements, including the publication of Expected Decision Dates (EDDs), to provide greater clarity and certainty for stakeholders. We also intend to measure the accuracy of our published decision timetables, distinguishing on our performance between modifications that we consider to be of higher strategic priority and those of standard priority.¹¹

Alongside these KPIs, we intend to publish additional information on our code modification decisions to improve transparency and provide stakeholders with a clearer understanding of decision-making timescales. Our aim is to communicate our new KPIs and associated metrics by the end of 2026.

Future Code Managers

As set out in our [second joint government and Ofgem consultation response](#), we have confirmed code managers¹² will be subject to a licence obligation to prepare delivery plans setting out how they will facilitate delivery of the SDS through industry codes. In our response to the [phase 1 consultation](#) on transitional measures and code changes, we set out our decision for the future phase 1 code managers (currently proposed as Elexon for BSC and RECCo for the REC) to have a delivery plan in place from 31 March 2027, as per the requirements in the code manager licence.

Additionally, Ofgem has consulted on a performance framework for code managers, which includes proposed metrics on their performance against the commitments set out in the delivery plan. Code managers must take all reasonable steps to ensure the code contains performance metrics and to report on its performance, including the delivery of strategic priorities set out in the SDS.¹³ Specifically, the performance metric measures the number of code modifications raised by the code manager with an expressed outcome to deliver SDS ‘Act now’ priorities. The standard licence conditions (SLC) also set objectives for the code manager which include the delivery of the

¹¹ For example, a modification may have a higher strategic priority for Ofgem where it aligns with SDS ‘Act now’ category, or wider Ofgem or government priorities; has a broad scope, complexity or material impact; or where designated as ‘urgent’. However, these are illustrative factors that we may take into account and should not be taken as definitive criteria - we will consider modifications on a case-by-case basis according to the relevant context.

¹² In this context, ‘code managers’ refers to future code managers that will be appointed as part of code governance reform. This does not refer to the existing code manager of the Retail Energy Code.

¹³ See the full framework in Annex A of the [Energy code reform phase 1: transitional measures and code changes decision](#). Transitional arrangements for the code manager performance indicators are required to be established no later than 1 April 2027.

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strategic priorities set out in the relevant SDS. Code managers must carry out their business in the manner most likely to facilitate achievement of the code manager objectives.

Code managers will also be responsible for making sure the codes are as easy as practicable to access, understand and engage with. This obligation is set out in a principles-based SLC for ease of use of the code, as confirmed in the second joint government and Ofgem consultation response. See Chapter 1 (1.11) of the [second joint government and Ofgem consultation response](#) for further details.

We expect that code managers will use the SDS to help prioritise modification proposals. In November 2025, we published our [statutory consultation on establishing a harmonised prioritisation process](#) in the industry codes, focussing on the arrangements that would apply before the appointment of a code manager. This publication also included the proposed Authority Guidance on Code Modification Prioritisation. In March 2026, this was followed by our [second decision on the implementation of energy code reform](#), which set out our intention to take forward proposals for how the harmonised prioritisation process would apply following code manager appointment. In April 2026, we published our [decision both in relation to the code modifications to implement a harmonised prioritisation process](#), and the [Authority Guidance on Code Modification Prioritisation](#). The new prioritisation process was subsequently implemented across all codes from 29 May 2026.

We recently published a decision on our template code modification code text, which we intend to use as a baseline for future development of specific text for each code. The template text sets out that once a modification proposal has entered the process, the code manager will make a decision, using the prioritisation criteria and in consultation with the stakeholder advisory forum (SAF), on the prioritisation category of a proposal. The definition of prioritisation criteria is set out in the Authority Guidance on Code Modification Prioritisation and includes ‘alignment with the SDS’ as a criterion. Therefore, the code manager (in consultation with the SAF) will be required to prioritise modifications against their alignment with the SDS, alongside their complexity and importance. We intend to consult on changes to the BSC and the REC in late 2026, including the adaptation of this template code text for the harmonised prioritisation process.

Code administrators and code panels

Code administrators and code panels have a valuable role in sharing their knowledge and experience to help shape the SDS. We appreciate their continued engagement with the SDS and the wider code governance reform project.

Existing code administrators do not have an obligation to prepare a delivery plan but there has been positive feedback from stakeholders that implementation of SDS-related modifications can be supported under existing governance. In many instances, stakeholders will be aware of the direction of travel of policy development and the

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possibility that code changes may be required, since policy decisions will have already been consulted on. We expect:

- Code administrators to consider how strategic priorities identified in the SDS can be accommodated within existing budget setting and delivery planning processes.
- Code administrators and code panels to work together to assess existing code modifications and identify which modifications will facilitate delivery of the SDS.
- Code administrators and code panels to work together to undertake the new harmonised approach to code modification prioritisation that was introduced as of 29 May 2026 (as described above).

We are encouraged by the actions to implement SDS-1, and the efforts by code administrators and code panels to implement the harmonised approach to code modification prioritisation.

Central System Delivery Bodies

CSDBs have an important role in identifying and implementing system changes that might be required following code modifications. We would like CSDBs to review the SDS and consider the system implications that might follow an SDS-related code modification. We would also like CSDBs to continue to engage with existing code administrators and code panels to understand the system requirements of code modifications to implement the SDS and to understand the impact of any planned system outages on planned modifications. We would like this information to inform the prioritisation process undertaken by code administrators and code panels, as described above.

Code parties

Code parties have an ongoing role to engage in the development of code modifications, including through participating in code modification work groups. They can also propose new, SDS-related modifications and we encourage code parties to consider whether further code modification proposals could be brought forward to support delivery of the SDS. Ofgem has proposed that all electricity and gas licences will be subject to a new ‘cooperation Standard Licence Condition’, pending decision. This is designed to aid in the development and delivery of code modifications related to the SDS, and reflect the key role of stakeholders in strategic change, where reasonably requested by the code manager. Please see [Statutory consultation on modifications to the Retail Energy Code and affected licences](#) for further information about the proposed ‘cooperation Standard Licence Condition’.

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Cross-code collaboration

We consider that effective cross-code working will be important to the successful delivery of SDS priorities and expect code administrators and code managers to work together to support the development and implementation of cross-code changes. During the upcoming period of hybrid industry code governance arrangements, we recognise that some codes will be subject to the new code manager framework while others remain under existing arrangements. As a result, different governance arrangements will apply across the codes during this period.

However, both frameworks place importance on effective cross-code working where changes impact multiple codes. Code administrators will continue to be subject to the Code Administration Code of Practice (CACoP), including Principle 13, which supports effective cross-code coordination where modifications affect multiple codes. Similarly, and as set out above, code managers will be required to comply with the standard licence conditions, including SLC 3 which establishes the code manager objectives. This includes objectives to facilitate cross-code coordination and the delivery of the strategic priorities set out in the SDS.

In addition, we would expect cross-code working to be enhanced by the implementation of the harmonised code modification prioritisation process. This has introduced consistent prioritisation criteria and methodology across codes, with our guidance explicitly setting out how cross-code modifications should be prioritised through the lead/non-lead code mechanisms. This should make it easier to prioritise and implement modifications consistently across codes, and therefore to make effective cross-code change. Finally, we think there is an opportunity for existing forums to strengthen cross-code collaboration in support of SDS delivery. We encourage stakeholders to consider how these forums might be adapted or enhanced to better facilitate SDS implementation. For example, code managers will not be required to attend CACoP, however, we encourage them and code administrators to consider how best to engage with the codes which are not represented on the Cross-Code Steering Group (CCSG), in the case of relevant cross-code modifications.

We note that the [second implementation decision](#) confirms the minded-to position to disband the CACoP at the end of ECR phase 3, while proposing to broaden the scope and membership of the CCSG.

Prioritisation and colour coding

Following positive feedback from our consultation on the first preliminary SDS, we have maintained the design, structure and scope of the document for SDS-2. This includes our approach to the colour coding of policy areas to indicate which codes they relate to, and to the time horizons we expect changes to be implemented (or progressed) within. See appendix 3 for details on colour coding.

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Prioritisation

Sections 2-4 identify policy areas that will or may require changes to industry codes over the next 5 years. To support implementation of the SDS we have categorised these policy areas based on when code modifications are expected to be required. This should help industry stakeholders to prioritise SDS-related code modifications.

Policy areas fall into one or more of the three categories explained below. For each category we have indicated:

- The implementation timeline for code modifications.
- What we expect from industry stakeholders to support implementation.
- How each category is identified in the SDS.

Please note that each policy area in sections 2 –4 may identify a more specific timeline for implementation, or ask for industry stakeholders, which should be factored into any prioritisation exercise, or delivery plan which this SDS is used to inform.

1. ‘Act now’ category

- Timeline
Changes are expected to be developed and, in most instances, implemented within two financial years of the publication of the SDS (by April 2028).
- Ask of industry stakeholders
We would like industry stakeholders, and Ofgem, government or NESO where relevant, to either:
 - develop code modifications that enable the described policy and for these to be implemented in the codes, or
 - to collaborate on scoping work to determine whether code modifications are required to implement the specified policy.

We expect that in most cases the legal text will have been drafted and implemented within two financial years of the publication of the SDS. However, we recognise that some changes necessarily take longer, such as those that require system change. Where system changes are required, we would like an assessment to be made of the timescale for implementation and changes to be made in a timely way.

For the 2026-27 financial year, the policy outcomes and associated modifications set out in the SDS should be prioritised where possible in the context of planned and industry raised modifications, within existing budgets. Otherwise, SDS-2 should be used to inform budget setting and delivery plans for 2027-28.

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- Code changes that fall into this category have this label:

Act now category

2. 'Think and plan' category

- Timeline
Changes are expected to be developed and, in most instances, implemented within three financial years of the publication of the SDS (by April 2029).
- Ask of industry stakeholders
We would like industry stakeholders, and Ofgem, government or NESO where relevant, to plan, resource and budget for implementing the necessary code changes in the financial year 2028-29. Where required we expect stakeholders to collaborate on pre-modification work and, to facilitate a smooth modification process, this may need to take place prior to a code modification being raised and before the financial year 2028-29.
- Code changes that fall into this category have this label:

Think & plan category

3. 'Listen and wait' category

- Timeline
Changes are expected to be implemented within three to five financial years of the publication of the SDS (by April 2031).
- Ask of industry stakeholders
We would like industry stakeholders, and Ofgem, government or NESO where relevant, to be aware of this policy area and that changes may be required to implement policy change in future. We would like consideration to be given to whether change may be so significant that early scoping work may be required by industry stakeholders.
Policy included in this category is still in development. Although we don't expect code changes will be required to be implemented until the financial years set out above, it is possible that as policy work progresses code changes may need to be implemented sooner. Changes to the implementation timeline will be set out in a future SDS or other Ofgem publications.
- Code changes that fall into this category have this label:

Listen & wait category

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As policy decisions are made, we expect that content will move from one category to the next. For example, content that is currently included in the 'Think and plan' category in this SDS may progress to be in the 'Act now' category of the next SDS. This progression is intended to give industry stakeholders long-term sight of possible code modifications to inform their business planning and budgeting processes.

Section 1: Strategic policy context

This section of the SDS explains how we have undertaken our strategic assessment of government policies and wider energy sector developments, and highlights some of the factors we have considered in carrying out our assessment.

Our strategic assessment for this SDS draws, primarily, on Ofgem's [Multiyear Strategy](#) (MYS), government's [Strategy & Policy Statement](#) (SPS), further government input and key energy sector developments.

The Act sets out that the SDS must be published each year. This means that although the SDS will look up to five years ahead, we will undertake an annual assessment of government policies and developments related to the energy sector, as required by the Act. Based on this annual assessment, the content of the SDS will be reconsidered each year. In practice when preparing SDS-2, this has meant updating existing priorities, including bringing policy outcomes forward year-on-year and providing more detail as policy is developed, and introducing new, emerging priorities. We anticipate continuing this practice in future years.

Ofgem's Multiyear Strategy (MYS)

Ofgem published its MYS in March 2024. The MYS was developed with a long-term view, including by engaging with external stakeholders and conducting horizon scanning, and outlines Ofgem's strategic priorities over the next five years and beyond. The MYS drives Ofgem's annual work programme, the Forward Work Programme. The MYS continues to inform the approach to the structure of this SDS, as in the first preliminary SDS.

Ofgem reviews its strategic priorities each year to ensure we remain responsive to change. In producing this SDS, we have taken account of such changes. This includes our vision for the energy retail markets to 2030, set out in the Ofgem's [Markets Regulatory Vision and Strategy to 2030](#). This strategy relies on investability and innovation in our retail markets, to encourage better outcomes for consumers and the wider economy. In Sections 2 – 4, we have set out where each objective contributes to the themes of the Markets Vision and Strategy, where applicable.

Strategy and Policy Statement (SPS)

Our current assessment has included analysis of the government's SPS. The SPS is developed in accordance with the Energy Act 2013 and sets out government's strategic priorities, desired policy outcomes and the roles and responsibilities for policy implementation. On 1 May 2024, the previous government published the first SPS for energy policy. Whilst published under the previous government, Ofgem must have regard to the strategic priorities set out in the SPS when carrying out our regulatory functions.

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The Ofgem Review (see sub-section below) has signaled that Ofgem will receive a targeted, Ofgem specific SPS in the future. Whilst we still have statutory obligations in relation to the existing SPS until replaced, in developing SDS-2 we have worked closely with government, as well as NESO, to ensure we are aligned to evolving energy policy.

Further Strategic Assessment

In the absence of a more recent SPS, we have worked closely with government to identify updated strategic steers or new policy directions to be factored into this SDS.

To inform this second iteration of the SDS, we collaborated with government to identify how strategically important policy priorities relevant to codes have developed since SDS-1. This incorporated a horizon scanning exercise of the energy sector, as well as the analysis of recent sector developments and government publications, in particular the mission to deliver Clean Power by 2030 and accompanying [Action Plan](#).

During this stage, we have worked with the Department for Energy Security and Net Zero (DESNZ) to identify other government departments with an interest in policies which will or may require the making of code modifications, and sought their perspectives on this, where appropriate. During the consultation period, we engaged further across government to help identify and confirm relevant government policy is appropriately reflected in the SDS. We will continue to work closely with government to identify relevant policy changes and/or updates as part of the strategic assessment that informs the content of future SDSs.

In preparing the SDS, the Act requires Ofgem to have regard to advice given to it by the NESO.¹⁴ Accordingly, we engaged with NESO, seeking input on our view of how strategically important policy priorities relevant to the codes have developed, as well as the draft SDS-2.

Key developments in the energy sector

Since the publication of SDS-1, the sector has continued to make progress towards the government's commitment to deliver Clean Power by 2030. However, disruption to global gas markets driven by the conflict in the Middle East remains a challenge for the sector to manage. Against this evolving backdrop, we have taken account of sector developments, including several key government announcements over the last 12 months:

- **Energy Independence Bill:** the government's bill will play a significant role to scale up homegrown energy in support of the Clean Power 2030 mission. We also expect the bill will deliver some of the legislative changes required following the Ofgem Review.

¹⁴ Section 190 (4) In preparing a strategic direction statement, the GEMA must have regard to any advice given to it by the Independent System Operator and Planner so far as relevant to the matters referred to in subsection (3).

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- **Investment:** The government has committed to major investment towards its clean power and energy efficiency goals. This includes £14.2bn for Sizewell C Nuclear Plant, £9.4bn for Carbon Capture (CCUS), and £13.2bn for the [Warm Homes Plan](#). The [Contracts for Difference Allocation Round 7](#) procured a record volume of new renewable generation capacity (14.7 GW), including 6.4 GW of solar, onshore wind and tidal, and 8.4 GW of fixed-bottom offshore wind.
- **REMA:** The government made its decision on the Review of Electricity Market Arrangements (REMA) to retain a single national wholesale market, and in April 2026 published its Reformed National Pricing (RNP) [Delivery Plan](#), which set out the strategic approach and forward timetable for delivering reforms to support a more efficient, secure and cost-effective electricity system.
- **Clean flexibility Roadmap** and 2026 update: delivered alongside Ofgem and NESO, the Roadmap sets out the actions to unlock consumer-led flexibility, storage and digitalisation.
- **AI Growth Zones:** the government has set out a national programme to accelerate the delivery of large-scale AI data centres across the UK. These zones are aimed at removing barriers to investment, supporting economic growth, and ensuring infrastructure is built in locations that benefit the energy system.
- **Local power:** the government and Great British Energy published the [Local Power Plan](#) (LPP) setting out a 2030 vision that any community will have the opportunity to own a local energy project. £1bn of support for 1,000 projects has been committed for schemes owned by communities, local authorities and public bodies.
- **The ambition to work towards participation of the United Kingdom in the European Union's internal electricity market.** The government has agreed to work with the European Union (EU) towards negotiating the participation in the Internal Electricity Market (IEM) via an EU-United Kingdom Electricity Agreement.

In addition, Ofgem has continued to support consumer protection, facilitate the infrastructure required for net zero and drive economic growth across the economy.

Key developments include:

- **RIIO-3:** unlocked £28bn in investment over the next five years to upgrade the electricity grid, improve asset health and system resilience. In May, we confirmed the regulatory framework Electricity Distribution for 2028-2033.
- **Connections reform:** Ofgem's decisions on grid connections reform (TMO4+) will cut queue size by two-thirds, unlocking faster investment in renewable generation and network capacity. Further, we are reforming demand connections to ensure viable projects can connect in a timely manner and to enable strategically important projects to connect faster.
- **Long Duration Electricity Storage (LDES):** Ofgem made a minded-to-decision for 16 projects to receive support under a cap and floor scheme.

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- [Markets Regulatory Vision & Strategy](#): sets out the outcomes that we want to achieve in energy retail markets by 2030, and how we plan to get there. This includes how Ofgem will regulate to provide confidence and protections to consumers whilst enabling innovation and investability, tackling debt, supporting Clean Power 2030 (CP2030) targets and economic growth.

Ofgem Review

The [Government's Review of Ofgem](#) was published in April 2026. The Review sets a clear direction to strengthen energy regulation and makes clear that the energy regulator must evolve at the same pace as the energy system it regulates.

We are committed to working with government to make the necessary changes to strengthen our role as a regulator. Alongside this, we are embedding a new way of operating through PACT - Predictable, Agile, Collaborative and Technology-enabled. PACT will guide how we make decisions, how we regulate and how we work with stakeholders, supporting a more strategic, transparent and outcomes-focused approach to regulation. It applies both to how we work internally and to how consumers, industry and government experience Ofgem.

Some changes, such as amendments to our duties, will require the government to introduce legislation. The outcomes of the Ofgem review have a limited impact on this SDS, however future iterations will reflect the changes Ofgem is making in response to the Review.

Summary

This section outlines our strategic assessment of government policies and wider energy sector developments that we consider will or may require the making of code modifications. The SDS aims to translate these priorities and developments into a direction for the codes, allowing for a more aligned approach to implementing code change.

The following sections set out our view on the code changes that will or may be required to deliver on these priorities, and respond to developments in the energy sector.

Section 2: Shaping a retail market that works for consumers

The transition to net zero will affect how people use energy and how much they pay for it. The system is becoming more diverse, flexible and data-rich, and the retail market will be the main way that consumers interact with these changes. The retail market must respond to the challenges and opportunities these changes bring. By 2030 we want to see energy markets that work for all consumers, through regulation which provides confidence and protections to consumers whilst enabling innovation and investability, supporting Clean Power 2030 targets and economic growth. In line with our [Markets Vision and Strategy](#), Ofgem is committed to regulating in a way that supports investment and innovation while protecting consumers – which is needed to drive better outcomes for consumers overall.

This section sets out how codes can help shape a retail market that works for consumers by considering how code changes can implement policy priorities. This section follows the structure of objectives set out in Ofgem’s Multiyear Strategy.

Objective 1: Ensure fair prices

1.1: Operate and evolve price protection

Our assessment of government policies and energy sector developments relating to this objective has not identified any areas that would require code modifications.

1.2: Work with others to tackle the affordability crisis

Think & plan category

Relevant codes

This content is relevant to the following codes:

REC

SEC

Unknown

Policy context

This objective contributes to the Fair prices pillar of Ofgem’s Consumer Interest Framework and the Investability pillar of the Markets Vision and Strategy.

Energy debt continues to be an acute issue for the retail market. Our latest published data shows that by June 2026, domestic consumer energy debt had reached [£4.79 billion](#), with nearly three quarters owed by customers with no repayment plan in place. However, the number of households in debt has not risen dramatically in the same period, suggesting that a significant part of the debt challenge is with a proportion of consumers who are going deeper into debt. The impacts of debt are felt by all

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consumers as the cost of bad debt is recovered from all consumers through the price cap. It also affects the financial viability of suppliers if they cannot recover all of their costs.

We are working with stakeholders and government to identify potential solutions. For example, helping more consumers get on debt repayment plans by [encouraging suppliers to work more effectively](#) with the debt advice sector and promote flexible payment options. We published a [statutory consultation on phase 1 of our Debt Relief Scheme](#) in November 2025 to reset debt in the domestic market.

Additionally, part of our objective to reduce energy debt involves making sure Prepayment Meters (PPM) are a safe, trusted, and modern payment method for customers and an effective debt management tool for suppliers. Alongside our work on Additional Support Credit, evaluating the Involuntary PPM rules, and verification of vulnerabilities, we consider that code modifications in areas such as the Debt Assignment Protocol (DAP) and credit balance transfers for PPMs could improve outcomes for PPM customers and competition in the PPM market.

We have identified amendments to the Change of Tenancy (CoT) process which may require code modifications. As set out in our recent [Call for Input](#) and [Summary of Responses](#), we are working with suppliers, consumer groups and charities to co-create a standardised and fair home moves approach, including the potential need for code modifications. Our intention is to enable suppliers to switch smart meters to pre-payment mode when an occupier leaves a property with the aim of preventing accumulation of energy debt by the new occupier.

Code changes

We are keen to work with stakeholders to establish whether code changes may be required to pursue these policy priorities.

As a shared business process, much of the detailed rules and operational requirements for COT events are handled in the REC and the SEC. We will seek to work with industry to amend relevant documentation, as required, to facilitate delivery in accordance with our decision.

Rather than piecemeal changes to the REC or other codes associated with the DAP or credit balance transfers, we consider these could be more efficiently and effectively tackled by taking a holistic, combined approach that takes place in conjunction with any potential Ofgem led policy changes in the supply licences. Further, we recognise some of the issues relating to DAP are longstanding, particularly around rejection codes and data validation, and require time and industry engagement to ensure any changes are effective. We therefore consider the options for possible code changes in these areas need further assessment and prioritisation between Ofgem and industry, with a view to possible implementation in 2028-2029.

Objective 2: Ensure high quality of service

2.1: Improve protection for all consumers, particularly those in vulnerable situations

Act now category

Think & plan category

Relevant codes

This content is relevant to the following codes:

BSC

REC

SEC

Policy context

This objective contributes to the Quality and standards pillar of Ofgem’s Consumer Interest Framework and the Investability and Innovation pillars of the Markets Vision and Strategy.

We want all customers to get a high-quality service. This is an important part of shaping a retail market that works for consumers. Domestic customer satisfaction appears to be on an increasing trend, but satisfaction in the sector remains low when compared to other sectors of the UK economy, and not all suppliers are improving at the same rate. We want to enable a clear, simple and low-burden regulatory framework that continues to protect consumers, while empowering suppliers to compete and innovate with new products and services to deliver great outcomes for consumers now and in the future. In November 2025, we published a [Call for Input](#) about the optimum regulatory framework to deliver good outcomes for both domestic and non-domestic consumers. This is an important part of our vision for the energy retail market that we also published in November 2025.

As part of this work, we have set out our intention to review our rules on billing accuracy and supplier billing practices to identify opportunities for improvement in the delivery of consumer outcomes. We view this as a phased roll out of the new regulatory approach that we are defining through our Consumer Confidence work. This review may lead to future policy and code changes though it is too early to define what those changes may involve.

We published our revised [Consumer Vulnerability Strategy](#) in April 2025 and a [Progress Report](#) in July 2026. Theme 3 of the Strategy is ‘driving significant improvements in customer service’. We are working with government and other regulators to improve the ways Priority Services Register (PSR) data is shared in the energy and water sectors. We

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also want to improve the current PSR, with the initial step being to ensure consumers remain on the PSR when they switch supplier.

Code changes

Act now category

Code modifications may be required to the REC, SEC or BSC. We want industry to improve the process whereby domestic consumers are deleted from the PSR when they switch supplier but remain at the same address. This means that consumers need to re-register on the PSR with their new supplier. We are also keen to continue to work, on an ongoing basis, with industry to improve PSR data sharing and consider whether code modifications may be required to achieve this. If code changes are required, we would expect them to be progressed as soon as possible, but acknowledge that changes may not be implemented until the ‘Think and plan’ time horizon.

We aim to publish the outcomes of our Consumer Confidence programme in Q1 2027. This will help identify the areas where we consider that code modifications could help improve protection for all consumers. It’s highly probable that this programme will require modifications to the supply licence conditions and subsequently possible code modifications. Further work is required to agree how to implement this programme of work which will include pinpointing specific areas of the licence and codes to modify. This includes identifying which parts of the regulatory framework to simplify, challenging ourselves to make our rules easier to navigate and mapping rules against the consumer outcomes that we are seeking to deliver. We want to work together with future code managers and administrators to achieve this, alongside the ongoing energy code reform programme (see Objective 11.2 for further details).

Think & plan category

We encourage relevant code administrators/managers and code panels to proactively engage on an ongoing basis with existing and future market participants to identify where changes to code requirements may help deliver better outcomes for consumers (such as improved service for consumers or better protection for vulnerable consumers). This should cover both adding new rules where necessary and simplifying rules that create unnecessary burden or hinder innovation.

2.2. Protect the interests of non-domestic consumers

Act now category

Think & plan category

Relevant codes

This content is relevant to the following codes:

REC

SEC

DCUSA

Policy context

This objective contributes to the Fair prices and Quality and standards pillars of Ofgem's Consumer Interest Framework and the Innovation pillar of the Markets Vision and Strategy.

Some non-domestic consumers are expected to play an increasingly important role in delivering a more flexible, low-carbon energy system. Regulatory and code arrangements should support participation in flexibility markets and emerging energy services while ensuring that consumers remain appropriately protected when engaging with suppliers, Third-Party Intermediaries (TPIs), aggregators and other market intermediaries.

In 2024, we [reviewed the entire non-domestic market](#) and introduced a number of rules to improve the market for non-domestic consumers. This included expanding dispute resolution for customers of TPIs, expanding transparency requirements regarding TPI service fees, extending the Standards of Conduct to all non-domestic consumers, requirements for improved signposting to advice services and the updating of the Complaints Handling Standards.

Another area identified in the review was insufficient protection for consumers engaging in the market via TPIs. As such we requested government to consider the regulation of this market and [a consultation was issued](#) in 2024. Government published its [response to this consultation](#), announcing an intention to introduce regulation for TPIs, both domestic and non-domestic, as well as an intention to appoint Ofgem as the regulator. We recognise there are a number of voluntary measures in the market in this area such as voluntary codes of conduct.

In addition, the non-domestic market review identified issues surrounding change of tenancy/occupier. Following this, RECCo led the development of work to improve this process and we [accepted REC Change proposal R0155](#) on 4 February 2025. Implementation of these changes took effect in June 2025 and we consider that this will lead to improved consumer outcomes including reduced fraudulent activities and

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accumulation of bad debt. This highlights the role of codes, particularly the REC, in supporting and improving the non-domestic retail energy market. We will monitor the effectiveness of these changes in 2026.

Code changes

Act now category

We will work with stakeholders, including code bodies and government, to ensure any new TPI regulation is proportionate and effective, including to identify the extent to which code changes are needed to deliver new regulation. We expect to publish further information on the next steps for TPI regulation later in 2026, and expect that any potential code modifications would be implemented towards the end of the 'Act now' time horizon and into the 'Think & plan' time horizon.

Think & plan category

Code changes may also be required to the SEC and DCUSA codes. Smart metering policies and any associated changes to codes may impact consumers in the non-domestic market. Changes to the DCUSA may be required as the code pertains to non-domestic energy suppliers, thus could impact on the interests of non-domestic consumers.

2.3: Deliver effective and proactive monitoring, supervision, compliance, and enforcement activities

Our assessment of government policies and energy sector developments relating to this objective has not identified any areas that would require code modifications.

2.4: Use data to drive up supplier performance

Our assessment of government policies and energy sector developments relating to this objective has not identified any areas that would require code modifications.

Objective 3: Enable competition and investability through financial resilience

Experience across the retail market demonstrates that financial distress within a company can have implications for consumers. Poor financial resilience across the energy sector, from generation to gas shipping can significantly impact consumers, through higher costs and poor quality of service. We note that improvements have already been introduced to the codes' credit arrangements in recent years (such as [IGT132VV](#)) and we continue to encourage stakeholders to consider further proportionate improvements to ensure that the sector is appropriately protected from financial risks.

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We stand ready to support the industry as it develops further consumer protections that broadly relate to financial resilience, however, we do not think that any developments in financial resilience require implementation through codes at the moment.

Objective 4: Support new and evolving markets

4.1: Develop and implement heat network regulation

The heat networks technical standards code does not fall within the scope of the SDS because it will not be a designated document as defined in [section 182 of the Act](#). We do not think that any heat network policy requires implementation through the codes that are within the scope of the SDS.

4.2: Explore reform of the retail market and respond to future developments

Think & plan category

Listen & wait category

Relevant codes

This content is relevant to the following codes:

BSC

REC

SEC

Policy context

This objective contributes to the Fair prices, Quality and standards, Low-cost transition and Resilience pillars of Ofgem's Consumer Interest Framework and the Innovation pillar of the Markets Vision and Strategy.

The future retail market will need to adapt to rapid changes in how consumers use and engage with their energy. The retail market may also need to respond to wider reforms in the energy sector, including the next steps of the work on Reformed National Pricing (RNP, see objective 12.1), Consumer-led Flexibility (see objective 13) and the outcomes of the Ofgem Review. We must ensure that regulation does not stand in the way of new products and services that could benefit consumers, while also ensuring that all consumers remain protected as the energy sector transforms.

We aim to consider ways to remove barriers to innovation and protect consumers as the market changes. In November 2025, we published our Market Vision and Strategy to 2030. Our goal is to ensure energy markets work for all consumers through regulation which provides confidence and protections to consumers whilst enabling innovation and investability, supporting Clean Power 2030 targets and economic growth. To achieve this vision, we want to support investability and innovation in our energy retail

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markets. We will work with government to consider the future of energy retail markets, including how regulation could better enable innovation to support good consumer outcomes, enable net zero at lowest cost and unlock economic growth.

Code changes

Think & plan category

Listen & wait category

Code changes may be required to the BSC, REC and SEC to help enable innovation, facilitate the deployment and optimal use of low-carbon technology, protect consumers from harm and support consumer engagement with the market. For example, we note how important industry code changes have been in facilitating access to markets for flexibility aggregators and defining the supplier/aggregator relationship.

In the near term, we encourage relevant code administrators/managers and code panels to proactively engage on an ongoing basis with existing and future market participants to identify where changes to code requirements may help enable innovation that delivers benefits to consumers (such as changes to help facilitate community energy). This should cover both trialling and adding new rules where necessary and stripping back or simplifying rules that create unnecessary burden or hinder innovation. We consider that these changes could cover a range of different issues and different timescales, across both ‘Think and plan’ and ‘Listen and wait’ time horizons. We will work with government and stakeholders to provide more clarity on the future of the energy retail market.

Section 3: Enabling infrastructure for net zero at pace

Delivering net zero requires a substantial increase in investment in clean electricity generation and network infrastructure. To enable such a complex transition at pace, we need a shift towards strategic planning and coordination, driven by the new national and regional strategic plans. It will be crucial that Ofgem, in its position as regulator, maintains a key role in the delivery of these aims to ensure benefits are realised for consumers. Through this period of unprecedented change, Ofgem, NESO and government must also ensure that our energy supply is secure and the system resilient to growing risks – not least from security vulnerabilities and the effects of climate change.

Objective 5: Progress strategic planning

The GB energy system is transitioning towards a more coordinated, strategically planned system. In July 2024, government commissioned NESO to provide advice to the government on delivering clean power over the near term by 2030, [NESO's advice](#) was published in November 2024; following this the government published its Clean Power Action Plan in December 2024. In October 2024, government commissioned NESO to produce Great Britain's first Strategic Spatial Energy Plan (SSEP).

The SSEP builds on the government's Clean Power 2030 Action Plan (CP2030) by setting out the energy generation and storage pathway for the UK to achieve net zero by 2050. The SSEP pathway will be an important input to the Centralised Strategic Network Plan (CSNP), which sets out the transmission network infrastructure required out to 2050. It will also feed into the preparation of a series of Regional Energy Strategic Plans (RESs), ensuring that national-level energy planning combines with local inputs to deliver regional development needs out to 2050. Each of these strategic plans will be updated on a 3-year cycle. While this transition towards a more strategically planned energy system is ongoing, the precise role of the SSEP and the extent to which it will inform future decision making are yet to be determined.

Developments in strategic planning are closely linked to the wider energy policy landscape, not least recent connections reform, the ongoing policy development for RNP and government funding for generation and infrastructure. Strategic plans and the policies that interact with them need to be co-designed to maximise the benefits for consumers.

5.1: Oversee production and implementation of a new Strategic Spatial Energy Plan

Listen & wait category

Relevant codes

This content is relevant to the following codes:

Unknown

Policy context

This objective contributes to the Low-cost transition pillar of Ofgem’s Consumer Interest Framework.

The SSEP will be a comprehensive ‘whole energy system’ plan setting out what generation needs to be built, where and when, to drive the transition to net zero. The first iteration will focus on electricity generation and storage, including hydrogen assets, and also identify where additional network capacity will be needed. [NESO published their methodology](#) for producing this first SSEP in May 2025, with formal approval [from Ofgem](#) and [government](#). The final plan will be published in late 2027. It will continue the transition laid out in the Clean Power 2030 Action Plan by optimising the GB pathway to net zero in 2050.

Code changes

At present, we don’t foresee any code changes to enable the production of the SSEP, but we will retain the SSEP in the ‘Listen and wait’ category. Once the shape of the plan becomes clearer, we may need to consider again if codes have a role in ensuring all parties engage with the SSEP development and implementation. Code changes will be needed for the government’s Reformed National Pricing programme (see Objective 12.1), which will support delivery of the SSEP.

5.2: Establish and implement mechanisms to realise the Centralised Strategic Network Plan

Act now category

Relevant codes

This content is relevant to the following codes:

CUSC

D-CODE

DCUSA

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GRID CODE

IGT-UNC

SQSS

STC

UNC

Policy context

This objective contributes to the Fair prices, Low-cost transition and Resilience pillars of Ofgem's Consumer Interest Framework.

In November 2022, [Ofgem decided that NESO will be responsible for creating a new CSNP](#). The aim of the CSNP is to provide an independent, coordinated, and longer-term approach to energy network planning in GB to help meet the government's net zero ambitions. [The first full CSNP is now expected by the end of 2028](#). The CSNP will follow a three-year cycle and:

- Identify future wider network needs on the GB electricity and gas transmission networks¹⁵, as well as for emergent hydrogen transport and storage systems.
- Identify, evaluate and select optimal solutions to address future electricity and gas network needs.

NESO submitted the CSNP methodology to Ofgem on 30 January 2026 for review and approval. [Ofgem conditionally approved the CSNP Methodology](#) on 15 April 2026. Once the SSEP is delivered, NESO will use that as an input and progress the CSNP for delivery by the end of 2028. In the interim, the [Beyond 2030 Update](#), a transitional network plan published in June 2026, has set out the ongoing needs for electricity transmission infrastructure out to the mid-2030s.

As part of RIIO-ET3 we have introduced licence obligations on Transmission Owners regarding how information is shared with the NESO for the purposes of strategic planning.

Code changes

New roles, for example for NESO and Network Owners, processes and data sharing arrangements are required to implement the CSNP, which will require code modifications. As the CSNP replaces certain existing network planning processes, such as the Electricity Ten Year Statement and the Network Options Assessment, in the short-term, references to these or their descriptions will require relatively straight-forward changes in at least the STC, Grid Code, SQSS, and CUSC. Procedures and

¹⁵ For electricity this includes strategically designing offshore electricity transmission connections and electricity interconnectors.

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schedules to support data and model exchange will likely require more substantive change. In the longer-term, it is possible that changes to the UNC, IGT-UNC, the Distribution Code and DCUSA may be required, or that new codes may be established but not currently believed to be required for the first iteration of the CSNP.

NESO are leading the development of the required code changes which we expect to be implemented by the end of 2026, as the process of delivering the first iteration of the CSNP gets underway. Code changes may be done in a phased and iterative way. Other strategic planning initiatives with which CSNP has dependencies could also influence the code change delivery timelines.

5.3: Establish Regional Energy Strategic Plans

Act now category

Relevant codes

This content is relevant to the following codes:

CUSC

D-CODE

DCUSA

GRID CODE

IGT UNC

STC

UNC

Unknown

Policy context

This objective contributes to the Low-cost transition pillar of Ofgem’s Consumer Interest Framework.

In April 2025 we made our [policy framework decision](#) to introduce Regional Energy Strategic Plans (RESPs) to deliver accountability and coordination for strategic planning of the distribution system. RESPs will be delivered by the NESO. The RESP will support the energy system’s transition to net zero in a cost-effective manner by enabling the coordinated development of the system across multiple vectors, providing confidence in system requirements and enabling investment in distribution network infrastructure ahead of need.

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Ahead of the enduring RESPs, NESO published (following consultation) a transitional RESP in January 2026 to provide key inputs for the ED3 price control, to enable the electricity distribution networks needed for Clean Power 2030, and beyond.

We have consulted on the introduction of new licence conditions and guidance to outline our expectations for (1) NESO’s development of the RESP Methodology, (2) NESO’s delivery of the RESPs and (3) distribution network companies' participation in RESP development. These came into effect on 13 May 2026. NESO consulted on the RESP Methodology in November 2025 and submitted the proposed methodology to Ofgem and the Secretary of State for approval in summer 2026. We expect the first RESPs to be delivered by the end of 2028.

Code changes

NESO has not yet identified if or where potential code changes are required to deliver the RESPs and therefore support a consistent, coordinated and whole energy system approach to planning of the gas and electricity distribution system. Following the approval of the RESP Methodology, we will be working with NESO to ensure they consider necessary code changes that may be required to the Distribution Code, DCUSA and the Gas Codes in late 2026 or early 2027 following the formal approval of the RESP Methodology. If code changes are required, we expect NESO will lead the development and drafting, to be implemented in 2027- 28, alongside development of the first iteration of the RESP.

Objective 6: Expand electricity networks

6.1: Continue to drive accelerated onshore network investment

Accelerate the delivery of onshore network projects

Act now category

Relevant codes

This content is relevant to the following codes:

GRID CODE

STC

SQSS

Policy context

This objective contributes to the Fair prices, Low-cost transition and Resilience pillars of Ofgem’s Consumer Interest Framework.

System Access Reform is a priority area for codes development which supports faster delivery of onshore transmission network projects and the Clean Power 2030 Plan. It

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responds to recommendations from the Electricity Networks Commissioner on outage planning and the Government's [Transmission Acceleration Action Plan](#).

Both of these reports highlighted the scale of the expansion of the transmission network required to meet Net Zero, giving rise to concern over system access becoming a bottleneck to delivery. They recommend, amongst other things, for NESO to optimise system outage planning to mitigate the risk of delaying projects due to congested system access, and to maximise the amount of system access that can be granted to complete necessary works. NESO aims to make system access planning more efficient, coordinated and transparent. The programme has 3 main workstreams:

- the Transmission Acceleration Project, which will deliver early benefits under the Transmission Acceleration Plan
- a rolling 6-year System Access Plan, expected to include more than 80% of planned outages and support better planning across years
- the End-to-End System Access Transformation Project, which will review how access is planned and delivered across NESO, network companies and transmission-connected customers.

The reforms should make network access more predictable while maintaining system security. This will help transmission owners plan reinforcement, maintenance and connections work. It will also help users understand when access is likely to be available. System Access Reform is therefore an active cross-code priority across the SQSS, STC and Grid Code.

Recently implemented STC modification [PM0154](#) amended STCP16-1 to improve long term investment planning by improving data requirements to better allow NESO to provide system-wide insight into the security implications or whole-system cost impacts of the TOs' preferred investment options planning, better facilitating optimised outage planning.

Code changes

NESO is progressing a package of code modifications to deliver the first phase of System Access Reform by the end of 2026. We would like industry to support the development of these modifications, as appropriate. SQSS modifications GSR035 and GSR036 seek to maximise the amount of system access that can be granted without compromising system security.

NESO also expects to raise a Grid Code modification so that relevant parties provide the data needed for risk assessment and system access planning. Further changes may be needed as the programme develops, including consequential changes across the SQSS, STC, Grid Code and potentially other codes. We expect NESO to lead the development of such modifications, in collaboration with affected Code users, in a timely manner to ensure the merits of System Access Reform are realised.

Future developments for Competitively Appointed Transmission Owners (CATOs)

Think & plan category

Relevant codes

This content is relevant to the following codes:

D-CODE

GRID CODE

STC

Unknown

Policy context

This objective contributes to the Fair prices, Low-cost transition and Resilience pillars of Ofgem's Consumer Interest Framework.

There are various initiatives that government, Ofgem and Transmission Owners (TOs) are working on to facilitate the expansion of the electricity networks at speed, including the strategic planning tools referenced above, as well as price control mechanisms owned by Ofgem. In the RIIO-3 price control for the electricity transmission owners, we are putting in place arrangements to enable around £80bn to be invested in the networks between 2026-2031. This will enable fuller utilisation of renewable energy sources and reduce constraint costs. In the forthcoming electricity distribution price control (ED3, 2028-2033) we will be using outputs from RESPs to inform where investment will be required to ensure the networks have the necessary capacity to meet future increases in demand associated with the energy transition.

We are introducing a new Early Competition framework to competitively tender qualifying onshore electricity transmission projects, with the first projects expected to be identified later in 2026 or early 2027. We expect the Competitively Appointed Transmission Owner (CATO) framework to foster innovation, attract investment into GB energy networks and contribute to the delivery of net zero at the lowest possible cost to consumers. The legislative framework for onshore competition has been established and the identified industry code modifications required to incorporate CATOs into the industry codes have been made. See Paragraph 8.3, [Decision and updated policy position on the onshore electricity transmission Early Competition commercial framework](#). While this baseline framework has now been established, upcoming policy decisions may require additional modifications.

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Code changes

Further policy and regulatory decisions are expected over the next year, including implementation of the CATO licence, development of the CATO of Last Resort arrangements, and outcomes from wider network planning and connections reforms.

Industry should therefore be prepared to assess and progress any consequential code changes required to support effective implementation of the CATO framework. Such changes may span multiple codes, including the STC, Grid Code and SQSS, and should be coordinated where possible to ensure a coherent approach. In particular, where strategic demand arrangements identify the need for new transmission infrastructure, any associated code changes should consider whether delivery through a CATO, an incumbent TO, or another delivery model is appropriate, and whether consequential cross-code changes are required to support that approach. Please see Objective 9.2 for further information about strategic demand connections.

6.2: Continue to operate and iterate the Offshore Transmission Owner (OFTO) framework**Offshore Transmission**

Think & plan category

Relevant codes

This content is relevant to the following codes:

CUSC

STC

Policy context

This objective contributes to the Low-cost transition pillar of Ofgem's Consumer Interest Framework.

The OFTO regime plays a critical role in enabling timely and cost-efficient connections for offshore wind, supporting delivery of government's clean power objectives. As offshore wind generation capacity is forecast to continue to scale rapidly, the regime must remain robust, predictable, and accommodating the increasing complexity of offshore system design.

Ofgem is working to ensure that:

- The OFTO regime remains fit for purpose as offshore network design evolves through the SSEP and CSNP (that is, to develop the build model for non-radial / coordinated offshore infrastructure).
- The OFTO regime is able to deliver the UK government's target of 43-50GW of offshore wind by 2030.

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- The pipeline of future OFTO assets can be delivered efficiently under Early Competition and Late Competition OFTO Build alongside the existing Generator Build framework, with clear and investable commercial frameworks that also deliver value for the consumer.
- The build and operation of OFTO assets continue to meet high standards of availability, performance and reliability.

We [consulted on our proposals](#) for an early competition Offshore Transmission Owner (OFTO) build model and our plans to update the late competition OFTO build model in Spring 2026. A final decision on the policy area is expected in 2027.

Code changes

To support the evolution of the OFTO framework, a number of code changes may be required over the coming years as offshore delivery models mature and new commercial, technical and operational arrangements arise. Code changes will be required to ensure frameworks provide clear roles, responsibilities and data-sharing obligations between NESO, bidders, generators and OFTOs subject to the framework that is ultimately adopted.

Within the STC, updates may be required to reflect new responsibilities placed on OFTOs if they are involved at an earlier stage in offshore transmission development. These changes may include clarifying interface points between OFTOs, NESO and generators, and updating obligations to reflect new ways of building non-radial/coordinated offshore assets. In addition, adjustments to the STC may be needed to allow Tender Revenue Stream (TRS) payments to commence prior to asset energisation in circumstances where a generator fails to meet an agreed connection date, but the OFTO is otherwise ready. This would help ensure that OFTOs are not exposed to undue financial risk arising from delays caused by third parties and would support continued investor confidence as the regime evolves.

Modifications to the CUSC may also be required. As competitive Early Competition build becomes a more prominent delivery route for offshore transmission infrastructure, changes may be needed to clarify the treatment of assets progressing via competitive processes, ensuring the connection, charging and commercial arrangements remain consistent across new and existing delivery models. The transition towards non-radial and coordinated offshore networks may also require the introduction of new charging arrangements that appropriately reflect the use of shared offshore infrastructure and support efficient investment decisions.

Furthermore, the current allocation of risk in the event of an OFTO-related delay places much of the exposure on the connecting generator. Under some delivery scenarios, compensation for delays may be required to protect generators and maintain confidence in the delivery model. To sustain appetite for OFTO investment while ensuring fair risk allocation, any generator compensation mechanism could require

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cost recovery from consumers. Should this be necessary, a corresponding CUSC charging modification may be required to establish an appropriate funding route.

Finally, CUSC modifications may be necessary for potential OFTO incentive mechanisms, such as the introduction of delivery milestones or the extension of Guaranteed Standards of Performance (GSoPs) to offshore transmission. If introduced, the framework would need to support an appropriate method for administering any associated payments. This could include arrangements enabling an OFTO to compensate the generator directly in the event of underperformance, or an alternative mechanism under which financial penalties are reflected through adjustments to the TRS. In such a scenario, TRS reductions could flow through transmission charging, resulting in a reduced Transmission Network Use of System (TNUoS) liability for the generator as an indirect form of compensation. Implementing either option may require amendments to the CUSC to ensure that payment mechanisms, charging flows and revenue adjustments are clearly defined and legally robust.

Anticipatory Investment

Act now category

Think and plan category

Relevant codes

This content is relevant to the following codes:

CUSC

Policy context

This objective contributes to the Low-cost transition pillar of Ofgem's Consumer Interest Framework.

Anticipatory Investment is investment in transmission infrastructure that goes beyond the needs of an immediate project to facilitate the future connection of a specific, known user or project. Through the Offshore Transmission Network Review (OTNR), Ofgem identified that the treatment of anticipatory investment risk was a significant barrier to greater coordination of offshore transmission infrastructure. To address this, in October 2022, Ofgem published its [Decision on Anticipatory Investment and Implementation of Policy Changes](#), establishing a framework to facilitate coordinated offshore transmission while managing risks to consumers.

The policy enables an initial user to undertake coordinated offshore transmission investment on behalf of a future user, with the efficient costs associated with that anticipatory investment eligible for recovery through the offshore transmission asset transfer process, subject to approval through [Ofgem's Early-Stage Assessment \(ESA\) process](#).

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The ESA provides developers with confidence that qualifying anticipatory investment will be, in principle, treated as an allowable cost in a future cost assessment process. The outcome of the ESA and final cost assessment processes leads to the establishment of the anticipatory investment cost gap, which is the value of the transmission assets that goes above the immediate needs of the initial project.

The current framework was initially designed to support a relatively narrow set of Early Opportunities projects and was subsequently extended to incorporate Pathway to 2030 and Beyond 2030 projects.¹⁶ It is focused primarily on situations where a developer undertakes anticipatory investment in offshore transmission infrastructure that is subsequently transferred to an OFTO. The associated cost recovery arrangements were implemented through modifications including [CMP411](#), which established mechanisms for recovering the Cost Gap and extending user commitment arrangements to later users. Under these arrangements, consumers underwrite the cost gap until a later user connects, after which the later user contributes towards recovery through transmission charging arrangements.

While these arrangements, supported by the proposed changes in [CMP402](#), establish an initial implementation framework for the anticipatory investment policy, they are targeted at a specific subset of coordinated offshore transmission projects and were not designed to accommodate the full range of opportunities likely to arise under a more strategically planned network. Consequently, if CMP402 is implemented, further policy and code development is likely to be required to support a broader range of anticipatory investment arrangements.

The SSEP, CSNP and RESPs are expected to identify infrastructure requirements further in advance of user need, increasing the importance of having an enduring and scalable framework for anticipatory investment. Investments may increasingly involve more complex delivery arrangements, multiple future beneficiaries, different asset ownership models, and wider combinations of offshore and onshore infrastructure. In these circumstances, existing cost recovery mechanisms may not always provide sufficient certainty for investors, network owners or consumers.

Code changes

Act now category

Modifications to the CUSC are required to facilitate anticipatory investment arrangements where infrastructure is delivered in advance by an initial user but ultimately owned by a later user, rather than being adopted by an OFTO. CMP411 provides a mechanism for recovering anticipatory investment costs where the designated OFTO assumes ownership of the infrastructure, using the cost gap to cover

¹⁶ [Pathway to 2030](#) key outputs are the Holistic Network Design and Holistic Network Design Follow Up Exercise projects, which are further iterated on in the [Beyond 2030 initiative](#).

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additional costs until the later user connects. However, this ownership assumption constrains the range of projects for which anticipatory investment is practical. A more flexible framework that supports alternative ownership arrangements could unlock additional coordinated network developments, both offshore and onshore, delivering environmental and community benefits while maintaining economic efficiency.

Further code changes will be required if the anticipatory investment framework evolves beyond its initial implementation. Industry should assess whether the existing charging and cost recovery mechanisms remain appropriate for future strategic and coordinated network investments and identify where modifications are required to support a broader range of anticipatory investment opportunities.

Think & plan category

In the future, we recognise that the strategic energy and network planning exercises will give greater clarity for developers. Therefore, we see greater potential for developers to confidently build shared infrastructure for later users. As Ofgem explores outcomes-based regulation, we are investigating ways in which onshore/offshore interface challenges could be lessened in support of shared infrastructure. As these are investigated, and potentially developed, we expect NESO, network developers and generators to consider CUSC modifications to incentivise participation.

We expect NESO, network companies, developers and other stakeholders to work collaboratively to develop options and identify the code modifications necessary to support the next phase of anticipatory investment policy development. These activities should build on the foundations established through CMP411 and the ongoing development of CMP402. Ofgem will endeavour to ensure that the framework remains aligned with changing network planning arrangements, the government's long-term net zero ambitions and remains in the consumer's best interest.

6.3: Enhance flexibility through electricity interconnection

Think & plan category
Relevant codes

This content is relevant to the following codes:

BSC
CUSC
GRID CODE
SQSS

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Policy context

This objective contributes to the Low-cost transition and Resilience pillars of Ofgem's Consumer Interest Framework.

In response to the [November 2024 regulatory assessment decisions](#) from Ofgem on new interconnector projects and Offshore Hybrid Assets (OHAs) deliverable by 2032, the government outlined that it is in favour of additional interconnection beyond 2030. Interconnectors can provide a wide range of benefits for GB, including enabling access to lower-cost electricity for GB consumers, diversifying the generation we have access to and adding flexibility to our energy system.

Offshore Hybrid Assets

The government and Ofgem are considering the development of OHAs, a novel type of asset that combines traditional point-to-point interconnectors with the transmission of electricity from offshore wind generation into one asset. There are two different types of OHAs:

- Multi-Purpose Interconnectors (MPI) are interconnectors with a connected offshore wind farm within GB waters.
- Non-Standard Interconnectors (NSIs) are interconnectors with a connected offshore wind farm in the connecting country's waters only.

OHAs could help us achieve our net zero and energy security aims by more efficiently integrating renewable energy onto the grid. By combining an interconnector with an offshore wind farm, MPIs could reduce the total amount of infrastructure required in GB, thus decreasing the impact on coastal communities and the environment.

Existing electricity licences, as they currently stand, fall short of addressing the multifaceted operation and characteristics of OHA development and operation. NSIs will be licensed via the existing interconnector licence, but licence modifications will be required to make the licence compatible with NSIs. MPIs, on the other hand, will require an entirely new licence to facilitate the dual function of offshore transmission and interconnection.

The final scope of any required code modifications will depend on the enduring licensing and regulatory model adopted for MPIs. Decisions relating to asset classification, operational responsibilities and compliance obligations will shape the scope of future code development.

Future Strategic Approach (FSA) to Interconnection

The FSA seeks to ensure that future interconnection is developed in a manner that is aligned with wider strategic energy and network planning, enabling interconnection to be coordinated in support of whole system objectives. This represents a transition from the current developer led model which has focused on interconnection siting based on commercial returns, towards a more strategically planned model, reflecting the

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increasingly important role of interconnection in delivering a secure, affordable and decarbonised electricity system.

The SSEP and CSNP are expected to play a significant role in informing future interconnection requirements. These plans will identify the strategic need for interconnection, considering factors such as connecting country, capacity, location and delivery timing alongside wider system requirements.

Code changes

Offshore Hybrid Assets

Modifications to the Grid Code, the BSC and the CUSC will be necessary to accommodate and capture OHAs' unique and complex commercial, operational and regulatory nature. While some existing code modification proposals already capture OHAs in their definitions, such as modifications proposed as part of connections reform (e.g. [CMP 434](#)), both technical and commercial code modifications will be required to adequately address and incorporate the unique features and requirements of OHAs. Modifications to the SQSS will also be necessary as MPIs combine offshore transmission with interconnection which introduces new configurations and power flow dynamics not currently addressed in the SQSS.

The scope of the required changes remains subject to change until other OHA related workstreams are concluded and outstanding dependencies surrounding the technical, commercial, operational and regulatory frameworks for OHAs are resolved, particularly in respect of the contracting model which the industry adopts. This includes the Contracts for Difference (CfD) regime for MPI connected wind, as well as the potential participation of the UK in the Internal Electricity Market (IEM). The timeline for raising the code modifications, consultations, decisions and implementation is therefore uncertain. However, we expect that, while some potential modifications will sit in the 'Listen and wait' category pending further clarity on policy and regulatory developments, other modifications could be raised from late 2027 as policy work progresses.

NESO will assume responsibility for pursuing both commercial and technical code modifications, and industry will also be engaged to gain feedback and help refine the scope prior to these modifications being raised. This industry engagement will be led by NESO and aims to align the envisioned code modifications with industry perspectives.

Future Strategic Approach to Interconnection

The Future Strategic Approach to Interconnection may require updates to existing industry codes and frameworks to support a more strategically planned approach to interconnection development. Future requirements will depend on decisions regarding the detailed design of the FSA, including the degree of alignment expected with strategic plans and how strategic planning outputs interact with existing regulatory

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frameworks and processes. Any associated code changes are expected to emerge progressively as policy decisions are taken.

Objective 7: Prepare for the future of natural gas

7.1: Recover the cost of the existing gas network

Think & plan category

Relevant codes

This content is relevant to the following codes:

REC

IGT-UNC

UNC

Policy Context

This objective contributes to the Fair prices pillar of Ofgem’s Consumer Interest Framework.

While GB is expected to transition away from gas over the coming decades, there will still be a need to recover the running costs of the existing network in a way that is fair, and that minimises consumer detriment. We consider that a holistic approach to this transition should be central to policy considerations, with particular consideration given to minimising the impact on vulnerable consumers.

Recognising this, Ofgem has decided to accelerate the speed of depreciation of the investments made in the gas distribution network during the next price control period, to zero by 2050. In June 2025, in its [‘Midstream gas system: market update](#), the government committed to publish a call for evidence on how to ensure the right conditions for continued investment are present in the long term, maintaining a resilient gas network that can continue to meet demand and operate safely throughout the transition to net zero, while also ensuring that this transition is fair and affordable for all energy consumers.

Although this review will consider policy options beyond the scope of Ofgem’s powers, we expect that decisions surrounding the recovery of existing natural gas network costs will be implemented through gas price controls. Any code changes required to facilitate this policy would follow through the UNC modification process.

Gas disconnections remain a potential challenge to how networks can fairly recover costs. In January 2025 we launched a [Call For Input](#), which we followed up with a [Request for Information](#) in August 2025. We expect to publish a Final Report and identify the risk posed by disconnections, along with any policy proposals. This will

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include working with industry to investigate and deliver against recommendations as proposed within the Final Report.

Another key area, identified through engagement on the RIIO-3 process, is National Transmission System (NTS) shrinkage. There has been an increase in the volumes of gas and the costs associated with shrinkage over the course of RIIO-2, which has caused some concern around system costs and their recovery. To that end, we launched a [Call for Input](#) in November 2025, seeking views on a broad range of shrinkage issues. We expect to publish a summary of responses and indicate policy options this year.

We also note the work being undertaken by Gas Distribution Networks in this space, specifically the introduction of Advanced Leak Detection and the Digital Platform for Leak Analysis, which we expect to dramatically improve shrinkage estimation and charging. We would encourage this work to be pursued at pace, with consideration given to necessary code changes.

Code changes

Although some of the policy around the recovery of existing network costs is implemented through the RIIO framework and the Gas Transporter licences, the arrangements for the recovery of these costs through the operation of the networks exist at least partly within the UNC and the IGT-UNC. Changes to how networks recover their allowed revenues will therefore be made through modifications to these codes.

An example of such a proposed change is UNC code modification 0903, which is seeking to equalise the NTS Capacity Reference Price at NTS Entry and Exit points. The effect of this would be to redistribute the burden of charging from the 50/50 split between Entry and Exit that is currently in place, reducing the cost on Entry and increasing the cost on Exit. The intention is to reduce the cost of bringing gas into GB, lowering the cost burden on marginal sources of gas, such as Liquefied Natural Gas (LNG), in an effort to increase Great Britain's security of supply.

While modification proposals to charging arrangements, such as UNC903, will continue to be raised in the short-term, broader change regarding the approach to recovering network costs in a world of reducing gas demand is dependent on strategic decisions from government, for which the timeline is not yet confirmed. Given this, we have opted to put code changes in this space in the 'Think and plan' category. This should not be taken as indication that ongoing UNC modifications are not a priority.

7.2: Prepare for repurposing and decommissioning of the gas grid

Act now category

Think & plan category

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Relevant codes

This content is relevant to the following codes:

IGT-UNC

UNC

Policy context

This objective contributes to the Fair prices and Low-cost transition pillars of Ofgem's Consumer Interest Framework.

It is widely expected that there will be a reduction in demand for natural gas across the system, which could ultimately lead to some repurposing or decommissioning of gas network assets. The extent and timeline for decommissioning and repurposing the gas grid for hydrogen, carbon capture, usage and storage, or other potential non-natural gas uses, as well as the degree to which biomethane will be adopted, are dependent on wider government policy decisions. However, we are developing policy directions around the future of the gas network where possible. We currently envision four broad workstreams relating to the repurposing and decommissioning of the gas grid:

Gas Transporters

This work will focus on the challenges associated with the repurposing and decommissioning of the vast system of assets. This transition will entail significant cost and, as things stand, it is unclear who should pay for decommissioning costs; this is subject to future government decisions. We intend to work closely with government to identify the most appropriate strategy and funding options for decommissioning, including considering a whole systems approach and the impact on future and vulnerable consumers.

Disconnections

An uptick in disconnections from domestic consumers is highlighting some flaws in the existing Gas Distribution Networks' (GDNs) arrangements. It has also highlighted disparities between the rules for and treatment of disconnections. We are expecting the number and rate of disconnections to increase in the short to medium-term as consumers switch to alternative, low-carbon forms of heating, and so action needs to be taken to reduce the impact on consumers and GDNs. In turn, this action may remove barriers to disconnection and hence help ensure the anticipated rate is realistic.

Biomethane

As the UK aims to decarbonise by 2050 and with domestic production of natural gas declining, there is likely to be a greater role for biomethane in the near future. Much of this work is industry led, with broader policy and strategy being largely reliant on government. However, we are engaging with transporters on potential barriers within

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the regulatory regime, such as improvements to the connections process for biomethane producers, and low carbon gas certification. We anticipate the need for code changes, some of which are already underway, in order to maximise the potential of biomethane as a means of reducing emissions from the gas system, while increasing security of supply through domestic gas production.

Hydrogen Blending

This work will focus on the changes that may facilitate or follow the introduction of hydrogen into the existing gas system, should this be supported and enabled by government. This work has been predominately industry led with some engagement with Ofgem. We are anticipating proposals to modify the UNC to allow for changes to connections arrangements to be put forward sometime in 2026. Ofgem would only give consideration to such proposals following a positive government policy decision to enable blending.

Within each of these workstreams, it is also essential that due consideration is given to ensuring no vulnerabilities or single points of failure are introduced to the network that could have an impact on network resilience. Due consideration should also be given to ensuring that remaining infrastructure or infrastructure due to be decommissioned is properly maintained to ensure system resilience.

We consider this objective to be closely tied to Objective 7.1, recognising that decommissioning and repurposing decisions are inherently tied to the cost recovery of the remaining network. Specifically, increased domestic production of green gasses would represent a shift away from the traditional “beach to meter” system, with gas increasingly entering the system at a variety of points of pressure tiers. Given this, we would expect a holistic view to be taken regarding decisions and proposals related to system decommissioning and repurposing.

Code changes - Biomethane

Act now category

On biomethane, UNC modifications are already underway; UNC894/A is looking at means of facilitating additional biomethane entry into GDNs through reverse compression, and UNC900 is looking at gas quality issues around the injection of biomethane into the National Transmission System (NTS). We expect to publish decisions on both modifications in 2026-27 but recognise that both are dependent on external safety and strategic assessments, which may result in delays.

We recognise that there is still a degree of uncertainty regarding the role of biomethane in GB. However, we are encouraged to see that code change work has progressed in the green gas space, and as demand for alternatives to natural gas increases, we anticipate further UNC modifications to follow. Given this and the expectation of guidance from government on the role of green gasses this year, we are categorising this workstream as ‘Act now’.

Code changes – Gas Transporters, Disconnections, and Hydrogen Blending

Think & plan category

While there have been developments in the hydrogen blending workstream, such as UNC849R, a review modification looking at the need to adjust commercial frameworks to facilitate Hydrogen Blending charging and connections, there is still a large degree of uncertainty around the future direction of hydrogen blending in GB.

Arrangements for both the NTS and GDNs are outlined in either the UNC, IGT UNC, or the Gas Transporter Licence. There is also the possibility that changes in all four workstreams are carried out iteratively in line with the phasing in of technologies, as opposed to a single sweeping change. Much of this is dependent on government policy decisions and is therefore categorised under ‘Think and plan’ for the time being.

We are also aware of the potential issue of divergence in regulatory arrangements between GB and the EU. We are working closely with colleagues in both government and industry to monitor any developments in this area. Code changes may be required should any impactful divergence emerge.

Objective 8: Facilitate deployment of low carbon technology

8.1: Establish and oversee a regulatory regime for nuclear power

Our assessment of government policies and energy sector developments relating to this objective has not identified any areas that would require code modifications.

8.2: Regulate carbon capture, usage and storage

A new code, the [carbon capture and storage \(CCS\) Network Code](#), has been developed as part of the government’s process of creating the economic regulatory and licencing regime for carbon dioxide transport and storage networks, which Ofgem is responsible for regulating. This code does not fall within the scope of the SDS because it will not be a designated document as defined in [section 182 of the Act](#).

8.3: Develop and implement new economic regulatory framework for hydrogen pipelines¹⁷

This objective contributes to the Low-cost transition pillar of Ofgem’s Consumer Interest Framework.

Government is committed to developing the UK’s hydrogen economy and recognises the critical role transport and storage infrastructure will play in this. As outlined in the 2025 [Spending Review](#), over £500 million has been allocated for hydrogen infrastructure. Government is developing “Business Models” for hydrogen transport,

¹⁷ To note, relative to SDS-1, this objective has been re-titled from 'Develop new hydrogen transport business model' to reflect Ofgem's broader remit of work on hydrogen.

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storage, production, and hydrogen to power, as well as a new economic regulatory framework for hydrogen. Hydrogen projects that were successful in securing Hydrogen Production Business Model support through the first hydrogen allocation round (HAR1) were announced in 2023, with the first project beginning operations in April 2025. Government launched a [consultation](#) on the economic regulatory framework for hydrogen last year. Ofgem’s Multiyear Strategy is reflective of this and confirms that Ofgem will provide advice and support to government in support of hydrogen.

In December 2025, government published its [response](#) to the consultation on the economic regulatory framework for hydrogen, which confirms that a new network code will be developed for early hydrogen pipeline networks. At this stage, we do not anticipate changes to any designated documents will be required in respect of the regulatory framework for hydrogen pipelines.

Funding hydrogen infrastructure – the Gas Shipper Obligation

Act now category

Relevant codes

This content is relevant to the following codes:

IGT-UNC

UNC

Policy context

Under the Energy Act 2023, the Secretary of State was granted powers to support the development of a UK-wide hydrogen economy. Sections 69-72 enable the Secretary of State to make regulations providing for a “Hydrogen Levy” to be charged against licenced GB gas Shippers and used to fund a range of low carbon hydrogen subsidy schemes. These are the Hydrogen Production, Hydrogen Storage, and Hydrogen Transport Business Models (HPBM, HSBM and HTBM). In a [consultation](#) running from January-April 2025, Government outlined its intention to use these powers to introduce the Gas Shipper Obligation (GSO); a consultation response is expected in 2026. The consultation stated that the GSO is intended to be the long-term funding mechanism for initial HPBM projects.

Payments made to projects in the first allocation round (HAR1) of the HPBM are intended to be funded through the GSO once the regulations are in place, with funding for [additional HPBM projects](#) and the HSBM and HTBM “subject to further Government decisions”. Payments made to hydrogen projects in HAR1 prior to the GSO regulations being in place will be funded by Government. Government intends for the GSO to be introduced in 2027, subject to GSO Regulations being in place.

Code changes

We currently expect modification to the UNC and IGT UNC will be required to:

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- Allow data sharing between Xoserve and the Low Carbon Contracts Company (“LCCC”) to facilitate calculation of the GSO levy payments charged to licensed GB gas shippers.
- Introduce an administrative levy to be charged on shippers to fund operational costs faced by Xoserve when collecting and transferring data to the LCCC.

Full timelines for modification are not confirmed, and specific milestone dates are not yet available. A modification (UNC 0922 / IGT 180) was raised in January 2026, but modification working group sessions will be paused until the publication of the GSO consultation response. The modification process will continue following governments publication of the GSO consultation response in 2026.

8.4 Support the development of long-duration electricity storage

Think & plan category

Relevant codes

This content is relevant to the following codes:

BSC

CUSC

Unknown

Policy context

This objective contributes to the Low-cost transition and Resilience pillars of Ofgem’s Consumer Interest Framework.

Long duration electricity storage (LDES) remains a government priority and is expected to play an important role in delivering a decarbonised, resilient electricity system and supporting CP2030 objectives. Following government confirmation of the cap and floor scheme for LDES in October 2024, Ofgem is implementing the regime as the regulator. This regime builds on actions in the Clean Power Action Plan and Clean Flexibility Roadmap and remains an important part of the government’s energy strategy. The regime has progressed through key policy and regulatory milestones, including publication of the [Window 1 minded-to decision](#) and consultation on the cap and floor licence, and is now moving towards implementation.

In this minded-to decision, we identified projects that we intend to award under the LDES cap and floor regime following assessment against economic, financial and strategic criteria. Subject to final decisions and statutory processes, successful projects are expected to receive project-specific cap and floor licences setting out the operation of the regime and associated consumer protections. The licence is expected to set out how the scheme operates, how risks are shared and how consumers are protected, subject to further development. The first awards under the cap and floor

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scheme are expected by autumn 2026, and Ofgem expects some projects could become operational before 2030.

Code changes

Ofgem has decided that floor payments under the LDES cap and floor regime will be recovered through Balancing Services Use of System (BSUoS) charges. This was initially thought to require changes to industry codes, including arrangements supporting the recovery and administration of payments to projects and consumers under the regime.

However, we now believe these changes can be delivered through amendments to the NESO licence, instead. By treating LDES cap and floor payments as an External Cost, BSUoS charges can be used to recover payments made to projects and to return revenues to consumers, without requiring industry code modifications.

We do not currently anticipate any code modifications will be required to recognise LDES assets in market arrangements, as storage technology, including batteries and pump storage hydro, already operate within the GB market.

The position will continue to be reviewed as the regime is implemented and any necessary changes to licences, industry codes or regulatory arrangements will be developed and consulted on as appropriate.

Objective 9: Network performance and connections

9.1: Use our regulatory tools to ensure high quality service and supply

Our assessment of government policies and energy sector developments relating to this objective has not identified any areas that would require code modifications.

9.2: Enable faster electricity network connections

Act now category

Think & plan category

Relevant codes

This content is relevant to the following codes:

CUSC

DCUSA

D-CODE

GRID CODE

STC

SQSS

Unknown

Policy context

This objective contributes to the Low-cost transition and Resilience pillars of Ofgem’s Consumer Interests Framework.

At present, it still takes too long to connect the generation, storage and demand we need for our clean power, net zero and economic growth ambitions. We have three key workstreams underway to tackle this: connections reform, the connections end-to-end review and demand connections.

Connections reform

In April 2025 we approved reforms to the connections process for generation, storage, interconnection and large demand projects, through code mods CMP434, CMP435 and CM095. These reforms (“connections reform”), which are now being implemented, move the connections process away from “first come, first served” to “first ready and needed, first connected”. This should ensure we can connect the projects we need to the grid more quickly, aligned with strategic goals, enabling the delivery of Clean Power 2030. As part of these reforms, which also impact the existing queue, we expect projects will receive revised connection offers throughout 2026, into 2027. Other code changes related to connections reform include CMP448.

The connections end-to-end review

Alongside this we are also reviewing the entire regulatory framework that governs the end-to-end customer journey for customers seeking to connect to the grid (“the connections end-to-end review”). The aim of this review is to ensure the regulatory framework best enables 1) timely connections and 2) high standards of service provided by regulated parties to connecting customers. We are clear that we need both connections reform and the end-to-end review to ensure that network companies meet and maintain the high standards required to deliver the rate of connections needed for Clean Power 2030 and beyond.

We consulted on a number of proposals in [November 2024](#), and responded in [December 2025](#). It is unlikely that any code change proposals will arise from the review – we will have greater clarity on this in late-2026.

Demand connections

Further, working closely with government and NESO we are leading a programme of demand connections reform. In February 2026 we [published a Call for Input](#) setting our approach to reform and inviting input on the direction of travel and options under consideration. Our reforms are built around three pillars:

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1. Curate – Introducing new or strengthened queue entry and membership criteria where needed to ensure viable projects progress to connection.
2. Plan – Supporting government’s prioritisation of strategic projects and development of a strategic plan for data centres.
3. Connect – Developing new approaches and connection arrangements to accelerate and increase the number of connections and maintain a secure system.

Since February 2026, we have published a consultation on our [proposed Curate measures for data centres](#), and an [update on our Connect pillar of work](#). Demand connections reform is required to ensure viable projects can progress to connection in a timely manner, and to enable projects of strategic importance (such as those that create high quality jobs and deliver significant economic benefits to the UK) to connect faster. In principle, both transmission and distribution connected demand projects are within scope of these reforms.

Industry codes will be an important route to implement our reforms - as set out in our publications we expect to use powers under the Planning and Infrastructure Act 2025 (PIA) to amend regulatory documents (such as licences, codes and methodologies) to achieve this.

Code changes

Act now category

The end-to-end review set out that inconsistencies in dealing with Third Party Works (TPW) driven by a lack of formal codified process can delay connections. We think changes are needed to formally codify both the TPW process and Distribution Network Operator (DNO) response times to solve this issue and to bring consistency between transmission and distribution (transmission works are included in Gate 2 connection offers for distribution connection customers, but there is currently no equivalent process where a transmission connection depends on distribution works). Third Party Works (TPW) are reinforcement works on third party owned networks, typically distribution networks, that are triggered by new transmission connecting projects. These projects must be assessed for their impact on the distribution network. There is a current code modification, CMP328, which industry can use to advance consideration of this issue.

As noted above, apart from TPW, it is unlikely that the end-to-end review will result in other code changes.

CMP470 is an urgent code modification that proposes the introduction of an Oversubscribed Technologies Commitment Fee (OTCF). The OTCF would establish a financial liability, supported by associated security requirements, for projects within oversubscribed technology categories. This modification is expected to have a high impact on generation developers and a medium impact on Transmission Owners. The

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Final Modification Report has now been submitted to Ofgem for a decision. Ofgem is currently planning to publish a minded-to consultation, alongside an interim impact assessment, in September 2026, with a final decision expected later in 2026.

To deliver the priority changes under demand connections reform, we expect to make use of new powers set out in the PIA 2025. Working with Government, NESO and Ofgem will jointly lead on the development of priority code changes. While implementation may use established processes, such as via CUSC Modification Proposals (CMPs), it is likely that most changes will be implemented using PIA powers, with NESO supporting this work and providing system expertise and stakeholder insights, as well as providing support in developing and drafting the code changes needed.

To manage any risk of conflicting processes or duplicative work we expect stakeholders to engage early with Ofgem, NESO, and government should code parties and stakeholders identify the need or opportunity to raise a modification that impacts on our proposed reforms.

Think & plan category

In addition, we expect stakeholders, industry parties, and code managers/administrators to think and plan for changes that may be required as we move to an increasingly electrified economy and increasingly large demand loads. For example, we note the proactive approach of the Grid Code Development Forum (GCDF) to establish the Demand Expert Group which considers the technical connection requirements for large loads such as data centres and electrolyzers. We encourage industry parties, code managers and code panels to take a proactive approach to emerging technologies and changing patterns of network use. This includes considering the potential cumulative impacts associated with widespread deployment of low-carbon technologies and other new classes of demand and generation, assessing whether existing technical requirements remain appropriate, and bringing forward proposals where necessary to ensure continued network safety, operability and efficiency.

Connections reform has now moved to implementation. We do not foresee any further changes needed in order to implement the reforms, but remain ready to make further changes to the connections process if required to enact further policy changes in the future. However, we expect these to largely be in the connections methodologies under the licences, rather than new codes changes. The methodologies are subject to an annual industry consultation process by NESO where changes can be proposed.

Rollout of Low Carbon Technology

Act now category

Think & plan category

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Relevant codes

This content is relevant to the following codes:

D-CODE

DCUSA

REC

Policy context

This objective contributes to the Low-cost transition and Resilience pillars of Ofgem's Consumer Interests Framework.

As well as the generation and storage connection reforms needed to deliver CP2030, it is crucial that the network connections process does not slow down the rollout of Low Carbon Technology (LCT) in homes and businesses, including heat pumps, EV charge points, solar PV and batteries. Currently, connecting or upgrading a connection to the network can significantly delay installations for some customers. Code changes could provide the enabling mechanism for DNOs to speed up and simplify their connection processes, for both demand and generation, and increase consumer confidence to engage in the energy transition.

Ofgem is looking at DNO processes and timeframes for these smaller connections as part of the [next steps](#) of the connections end-to-end review. It aims to support rollout of LCTs by removing barriers and simplifying the customer journey.

Code changes

Act now category

A number of code modifications are already completed, planned, or underway to support the rollout of low-carbon technologies in homes and businesses.

The Energy Networks Association (ENA) has consulted, and is in discussions with government, on widening the Low Voltage statutory limits via amending the Electricity Safety, Quality and Continuity Regulations (ESQCR) 2002. This would facilitate increased LCT connections whilst maintaining a safe and efficient network. Further modifications to the Distribution Code will be required to reflect any changes made to the ESQCR.

The DCUSA and REC govern the arrangements for parties undertaking connection and metering activities. These codes define the responsibilities of DNOs, Metering Equipment Managers (MEMs) and other accredited parties, including how they coordinate where responsibilities for isolation, reconnection and network equipment overlap. RECCo is making reforms to the Safe Isolation Provider (SIP) role, with R0270 implemented on 27 February 2026, which aims to make it easier for parties to become accredited providers.

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In parallel, ENA are considering if a supporting modification to the DCUSA is needed to define the technical, operational, and safety procedures for accredited third parties to undertake fuse upgrades on behalf of customers (such as, fuses being DNO equipment). Together, these two code changes could provide a coordinated solution for certain third-party connection works.

Increasing the number of third parties able to provide these services could speed up connection requests for customers making the switch to electric heating and transport. This aligns with both Ofgem's and the Government's ambition for consumers in this space with the [Warm Homes Plan](#) setting out that "Where upgrades are more straightforward (such as fuse changes), the simplest solution for households is for heat pump installers to make the upgrades themselves". We support industry's efforts to make it easier for heat pump installers to connect heat pumps to the network without DNO intervention.

Alongside these two industry-led reforms, Ofgem is reviewing EREC G98 through the Distribution Code as part of the connections end-to-end review. EREC G98 sets out the technical requirements for connecting type-tested micro-generators (up to and including 16 A per phase) to the distribution network. Under consideration is whether the current national threshold of 3.68kW can be raised, allowing more applications to follow the quicker G98 process rather than meeting the threshold for the EREC G99 route, which involves more detailed technical checks to ensure safety and grid stability. Any increase would require a code modification. The review will help inform us whether a national uplift is technically feasible or desirable to meet our objectives to improve the customer journey for smaller connections. We understand this is a complex area with other governing regulations to consider, such as the Electricity Safety, Quality and Continuity Regulations (ESQCR) 2002. We are, therefore, committed to exploring this issue thoroughly and engaging with industry and government stakeholders before reaching any conclusions on potential code changes, while ensuring any changes maintain regulatory compliance and align with planned reviews or developments in this area.

Think & plan category

Further to this, we are monitoring industry-led code modification proposals that seek to reduce the network charges applied to public EV chargepoints and we continue to consider how the charging regime more broadly can reasonably and fairly encourage LCT adoption through changes to system costs, including through the Cost Allocation and Recovery Review (see Objective 12.2 for further details) and other cross-government workstreams.

Bidirectional vehicle-to-grid (V2G) charge points are capable of export and therefore more challenging to connect compared with standard EV charge points. Government are actively considering ways to improve the connection process for V2G, including enabling interoperable V2G grid connection. This will involve working closely with the

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ENA, and potential code changes to facilitate solutions. More broadly, the rollout of low-carbon technologies in homes and businesses interacts with a range of policy areas including asset visibility, compliance, flexibility services, network monitoring, and data and market arrangements. While we consider the most directly related code changes to sit within the codes highlighted above (D-CODE, DCUSA and REC), we recognise that reforms across a wider range of industry codes may also support delivery of this objective.

Objective 10: Secure and resilient supplies

10.1 Pursue security of supply

Security of supply is a critical part of ensuring the energy system is delivering for consumers. Our net zero decarbonisation goals will shift the energy system towards more renewable and distributed assets. More renewable generation can help displace more expensive, high-carbon technologies, but their more intermittent nature requires other interventions to ensure security of supply at times of more limited renewable generation output. Long duration flexible capacity (dispatchable capacity that can be increased or decreased for prolonged periods so that supply matches demand) will remain vital for security of supply.

We are considering potential supply issues in the transition to CP2030 and have sharpened our focus by conducting our own medium and long-term assessments of supply risks to consumers. A pressing challenge for maintaining security of supply is the risk of some existing capacity or capability going offline before low-carbon flexible alternatives are available at scale. The background of the role of the electricity network, including its overall resilience and redundancy, is another facet of the security of supply challenge and includes the ability to connect and fully utilise all sources of system infeed.

We are working with government, which is ultimately responsible for security of supply policy, and NESO to determine how we can maintain the security of our electricity supply and build a resilient decarbonised system. It is also important to continue to secure and maintain the resilience of critical national infrastructure which is essential for ensuring security of supply. As the risk landscape changes it is important that due consideration is given to assuring the operational resilience of these infrastructure assets to current and future hazards and threats.

There are a number of means by which the needs of the system for long duration flexible capacity can be satisfied including storage, hydro, nuclear and gas generation. While gas generation could also include carbon capture and hydrogen, this category also needs to be read in conjunction with the future of the gas networks (objective 7).

Capacity Market

Listen & wait category

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Relevant codes

This content is relevant to the following codes:

Unknown

Policy context

This objective contributes to the Low cost transition and Resilience pillars of Ofgem's Consumer Interest Framework.

Government and Ofgem proposed several changes to the [Capacity Market](#) to ensure continued security of supply, align the scheme with the government's decarbonisation goals, and improve the functionality and administration of the scheme. See the [Decision on Statutory Consultation on Capacity Market Rule Change Proposals 2026](#) and [Consultation Response on changes for Prequalification 2026](#) for further details. There changes are now in force for the start of the 2026 Capacity Market Prequalification Window, with further changes developed annually. Capacity Market Change Proposals can be sent to Ofgem and these may be discussed with the Capacity Market Advisory Group, which publishes such Change Proposals and minutes of any discussions.

Code changes

Changes to the Capacity Market are not likely to require code changes but will be implemented by amendments to the Capacity Market Rules and Capacity Market Regulations. However, this is an ongoing priority and we will continue to monitor and investigate whether code changes may be required in the future.

Frequency Risk and Control

Act now category

Relevant codes

This content is relevant to the following codes:

SQSS

STC

Policy Context

The Frequency Risk and Control Report (FRCR) is an annual report that was introduced to the SQSS in 2020 following the [9 August 2019 frequency event](#) that affected over one million customers. The FRCR sets out how NESO assesses and manages frequency risks across Great Britain's transmission network, and defines what frequency risks the network is secured against.

The FRCR is developed by NESO and publicly consulted on before the SQSS Panel vote on a recommendation to send the proposal to Ofgem for a decision. We have approved

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the first five editions of the FRCR, including the 2023 edition which recommended to reduce minimum system inertia from 140 GVA.s to 120 GVA.s. GVA.s, refers to the unit of system inertia in electrical power systems. It represents the amount of stored energy in rotating machinery (like Power Stations) that helps stabilise the grid during disturbances.

After reviewing [the FRCR 2025](#), supporting documents, industry consultation responses, independent consultant analysis, and supplementary evidence received from NESO on 31 March 2026, we approved the reduction of inertia to 102 GVA.s. NESO are in the process of implementing this change and are preparing for FRCR 2027 which includes a review of the current methodology.

Code Changes

Frequency control is a cross-cutting area within code development and, through industry consultation, various themes and concerns have been raised which could be addressed through code changes. The degree to which NESO provides transparency with respect to system events has been of concern to industry and is captured within Grid Code modification GC0181 regarding system incident reporting. Enhanced reporting could result in consequential changes to the STC and includes shortening the reporting timeframe, enhancing the detail of data sampling, and including regional frequency information. Within the SQSS, the licence framing of frequency management contains some ambiguity with respect to the definition of unacceptable frequency conditions and should be addressed by NESO through changes to the SQSS or Frequency Risk and Control Report in due course. We expect industry to engage in such modifications, in particular the planned changes to the FRCR Methodology ahead of the production and publication of the FRCR 2027.

Grid Forming

Act now category

Relevant codes

This content is relevant to the following codes:

GRID CODE

D-CODE

Policy context

The rise of renewable energy sources connected to our electricity system, alongside a drive to reduce carbon emissions, has resulted in the replacement of synchronous generators used in conventional fossil fuel power stations with non-synchronous generators. These renewable generators use technologies such as wind, solar and storage, all of which use power electronic converters.

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One of the challenges associated with this change is that non-synchronous plants do not behave in the same way as synchronous plants, which supply inertia, short circuit power and damping power. These capabilities provide the ability to respond quickly to changes or disturbances in the electricity system, and are required for its stability and to ensure security of supply.

A converter with Grid Forming capability behaves in a similar manner to a synchronous generator by providing very fast response from non-synchronous generators which can contribute to inertia and fault infeed resulting in improved grid stabilisation. In 2022, GB was the first country in the world to include Grid Forming capability in its Grid Code ([GC0137](#)). Following this, NESO published a [GB Grid Forming Best Practice Guide](#) in April 2023 and a [Guidance Note](#), issue 4 of which was published in 2026.

Code changes

Building on feedback on the GB Grid Forming Best Practice Guide, and experience of those Grid Forming plants which have or are progressing through the Grid Code Compliance process or stability pathfinder process, NESO has set up an expert group to consider next steps on Grid Forming requirements. This includes the potential to revise the current non-mandatory status of Grid Forming requirements, and consideration of whether similar requirements need to also be added to the Distribution Code.

The expert group has focused on determining elements of the Grid Forming specification where improvements can be made. Two Grid Code modifications are expected, one focusing on new technical requirements and the other on mandating Grid Forming capability. Although further modelling work is required, these modifications are expected to be formally raised during 2027 following the [sign-off of European requirements](#) to the EU Network Code on Requirements for Generators (NC RfG 2.0) by the European Commission.

Ramping Arrangements

Act now category

Relevant codes

This content is relevant to the following codes:

BSC

GRID CODE

D-CODE

Policy context

There are restrictions in the Grid Code setting how quickly generators and interconnectors can alter their power output. This helps with system balancing,

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ensuring that changes in power flow are manageable. While higher ramping rates can provide greater flexibility and commercial value to participants, they can also present an operational risk to the system operator who must manage the risk of potential imbalances and carry sufficient reserves to respond to this. Therefore, there is a cost to the consumer.

Following implementation of [GC0154](#) in March 2024, which codified the ramp rates of interconnectors, NESO has begun assessing the impacts of current ramp rates across all technologies on system operability and cost. We support NESO's work to balance the benefits of flexibility with the risks to system management, helping to minimising the costs of ensuring a secure system.

We note that increasing volumes of batteries on the system, and the ability of these to ramp rapidly or change charge/discharge state in response to aligned signals, has led to observable swings in overall battery output and attendant changes in frequency. This increases the need for codified, system-wide arrangements. To better understand the challenges posed by ramping, a frequency analysis study by means of modelling is necessary and will need to be considered, led by NESO. Insights from this will inform and evidence the drafting of a robust framework that accounts for all technologies and varying system conditions, both current and future. While the approach is conceptually clear, we acknowledge that its practical execution presents several challenges because of the dynamic nature of the challenges.

Considering the rapidly developing operational situation of significant power swings, we have given this area a status of 'Act now' which is indicative of its priority but also the acknowledged complexity of finding a solution that takes account of both the operational challenges and also the commercial complexities for stakeholders. This highlights that there is a priority need to start working on this now in the interests of achieving a timely and engaged solution.

Code changes

Ramp rates are currently set out within the Grid Code. Any changes to ramp rates would need to be codified. At this stage we consider that changes arising from the work described above are most likely in the Grid Code but may also be required to the Distribution Code and BSC. This remains subject to the outcome of any developments from NESO's investigatory work.

Given the early stage of this work there are a range of implementation approaches, for example, simpler versions including updating current codified values through to more complex approaches which would set dynamic ramp rate limits, and it would be beneficial for NESO to engage with stakeholders as this progresses.

Reactive Power Export

Think & plan category

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Relevant codes

This content is relevant to the following codes:

GRID CODE**Policy context**

The rapid growth of distribution connected generation, particularly solar PV and other non-synchronous assets, has fundamentally altered traditional reactive power flows. Historically, distribution networks acted as reactive power sinks, collectively absorbing around 2 Gigavolt-Ampere Reactive (GVAR) from the transmission system. Today, however, they collectively inject up to 12 GVAR at peak periods, representing a material shift in the behaviour of the system at the transmission–distribution (T/D) boundary.

This overspill of reactive power presents several operational challenges:

- Voltage management stress at transmission level, particularly during periods of low demand and high renewable output.
- Increased reliance on reactive compensation, which can be costly when traditional assets (such as, shunt reactors, static compensation, synchronous condensers) are already fully utilised.
- Reduced headroom for managing disturbances, increasing the complexity of system operation.

As the system continues to transition towards high penetrations of distributed generation and low carbon technologies, reactive power spillover will become an increasingly important whole system issue, and therefore the way reactive power is managed across the whole system must evolve. This includes clearer responsibility for managing interactions at the T/D boundary and better coordination between DNOs, TOs, and NESO.

Our work on the next electricity distribution price control, RIIO ED3 (2028–33), has concluded that DNOs should take a stronger role in understanding and mitigating the impact of their network operation on transmission system voltage stability, including proactive management of reactive power injection and absorption.

Code changes

Under current arrangements, the Grid Code specifies reactive power envelopes for EU Grid Supply Points (GSPs) for those connected following the adoption of the European Connection Conditions (ECC) in 2019. However, GB GSPs that predate implementation of the ECC are not subject to equivalent requirements.

We therefore anticipate that a code modification will be required to apply requirements around reactive power injection to GB Grid Supply Points, likely through the application of the existing requirements for EU Grid Supply Points. We are expecting industry to begin to scope out the requirements for this modification with a view to it being implemented in the Think and plan timeframe (FY 2028 - 29).

Emergency Contact Arrangements for industrial gas consumers

Act Now category

Relevant codes

This content is relevant to the following codes:

UNC

IGT-UNC

Policy context

This objective contributes to the Resilience pillar of Ofgem’s Consumer Interest Framework.

Effective emergency contact arrangements for large industrial gas consumers are a critical component of the gas emergency framework. Accurate and timely contact information is imperative in enabling gas distribution networks (GDNs) to implement necessary measures during emergencies, including but not limited to, demand reduction measures during a gas supply emergency to manage system risk and protect domestic consumers. Although existing code obligations place responsibility on shippers to provide these details for sites above defined consumption thresholds, recent operational experience and emergency exercises show persistent weaknesses in the accuracy and availability of emergency contact data. A proportion of large industrial sites were unreachable during emergency simulations and have been identified as undermining the effectiveness of load-shedding arrangements and potentially increasing the risk that emergency actions cannot be taken when required.

To date, remedial work has focused primarily on non-code interventions. While this has raised awareness, it has not consistently led to prompt and appropriate action by gas shippers to ensure provision to and accurate maintenance of emergency contact details with the Central Data Service Provider (CDSP).

Ensuring accurate emergency contact arrangements is integral to wider objectives around system resilience, consumer protection and emergency preparedness. To ensure that industry frameworks remain fit for purpose and aligned with the needs of safe system operation, emergency contact provisioning is an area where future code changes may be needed.

Code changes

We expect industry cooperation to explore whether existing code obligations are sufficiently clear, enforceable and aligned with current market processes. This includes considering whether additional or strengthened requirements are needed to ensure

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emergency contact details are provided, maintained and periodically validated over time. This is likely to focus on shippers UNC obligations relating to emergency arrangements. Changes may also need to interact with wider data, registration or governance processes to ensure emergency contact requirements are effectively embedded and supported by appropriate assurance mechanisms.

Although we anticipate that activities relating to a security of supply issue will take place at NTS/GDN level, we also foresee the possibility of downstream impacts to IGT networks connected to an impacted GDN network. Whilst a supply incident/issue may only require action upstream, the availability of gas and the impacts of any action taken up stream can have a detrimental effect on IGTs and IGT consumers downstream if they are unaware and unprepared. For this reason, we also included this as an ‘Act now’ objective for the IGT UNC, in addition to the UNC.

Specific proposals, implementation approaches and timelines have not yet been determined. These will be informed by further policy development and engagement with industry. Through signalling this area as a potential focus for future code modification, Ofgem aims to provide early visibility of its policy direction and support timely and coordinated industry planning if the issue is not rectified promptly by applicable gas shippers.

10.2 Implement monitoring to ensure that non-retail regulated network companies are financially resilient

Our assessment of government policies and energy sector developments relating to this objective has not identified any areas that would require code modifications.

10.3 Strengthen cyber resilience

Ofgem alongside government, NESO and the National Cyber Security Centre (NCSC) have shaped the first cross-government energy cyber resilience strategy. As part of this strategy, we are reviewing our approach on Downstream Gas and Electricity (DGE) cyber regulation and oversight, considering the energy system holistically. We intend to review our current regulatory framework and ensure it applies to all critical parts of the system as we transition to net zero. We will explore available vehicles to achieve cyber security objectives for these operators, and Ofgem’s initial assessment is that mechanisms other than industry codes may be more effective in achieving our cyber security objectives.

10.4 Build resilience to extreme climate events and long-term climate change

Think & plan category

Relevant codes

This content is relevant to the following codes:

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GRID CODE

SQSS

D-CODE

UNC

Policy context

This objective contributes to the Resilience pillar of Ofgem’s Consumer Interest Framework.

Climate change related hazards, such as extreme temperatures, storms and flooding, will increasingly impact the GB energy system as the climate changes and as the transition to a decarbonised energy system will influence vulnerability and exposure to climate hazards. Moreover, we must consider how to ensure a reliable energy supply as electricity demand and generation becomes increasingly weather dependent. Ofgem recognises that this requires urgent consideration to avoid costly lock-in.

The National Infrastructure Commission, now National Infrastructure and System Transformation Authority (NISTA), made recommendations to government and Ofgem in its September 2024 publication [Developing resilience standards in UK infrastructure report](#) to identify whether further standards are required to ensure the energy system is resilient and adequately considers changes in climate related threats.

Ofgem is working closely with government and other key stakeholders, including NESO and industry, to understand the current climate resilience landscape to clarify objectives and targets for climate resilience. However, this work requires approaches for monitoring and valuing resilience that do not yet exist and will take time to develop. In November 2025, government committed to publishing an [Energy Resilience Strategy](#), setting out Government’s strategic priorities for a secure and resilient energy system, including how to reduce risk through resilient design. NESO also submit the Energy Resilience Assessments (ERA) to the government and NESO, which seeks to identify those risks that may affect the ability of the system to deliver safe, secure, and affordable energy, and to assess current and future resilience against evolving challenges such as climate resilience. Ofgem and NESO will work with industry and partners to identify the need and urgency of code changes, alongside wider work to this end, in line with the ‘Think and plan’ time horizon.

Code changes

Mechanisms for delivering the policy outcomes for climate resilience will be considered as part of the work to prepare and implement governments Energy Resilience Strategy, including the role of codes. This could require code modifications for transporters and those with responsibilities for security of supply. We expect to engage with industry by the end of 2026 to understand the need and urgency of code modifications that may be

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required. If code changes are required in the future, we expect that the Grid Code, SQSS, UNC and Distribution Code may require modification.

Section 4: Establishing an efficient, fair and flexible energy system

How the energy system operates is changing rapidly and we know that our market and regulatory approaches will need to adapt to deliver a net zero energy system. A renewables-dominated system will require us to be more flexible in how we use energy, including by incentivising use away from peak times. Further, across the system, digitalisation is increasing, including the transformative use of Artificial Intelligence (AI). This will improve our ability to plan and enable flexibility but also raises questions about how we manage this digitalised, data-rich system.

Objective 11: Ensure the right governance and institutions are in place

11.1: Regulate National Energy System Operator

Our assessment of government policies and energy sector developments relating to this objective has not identified any areas that would require code modifications.

11.2: Reform energy code governance to enable faster, more strategically aligned rule changes across the sector

Act now category

Think & plan category

Listen & wait category

Relevant codes

This content is relevant to the following codes:

ALL

Policy context

This objective contributes to the Fair prices and Low-cost transition pillars of Ofgem's Consumer Interest Framework and the Innovation pillar of the Markets Vision and Strategy.

Energy code reform is a joint programme between Ofgem and government to address the complex and fragmented industry code landscape that can slow innovation, limit competition and hold back investment.

Before 2030, and delivered across three phases, Ofgem plans to use its transitional powers under the Energy Act 2023 to modify the eleven gas and electricity codes in scope of code reform. These modifications will allow Ofgem to prepare and adapt the existing code governance framework ahead of licensing the first code managers. They

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may also be used to implement new strategic code functions, establish new code manager arrangements, and deliver code consolidation.

We expect that the code and licence changes required to deliver each phase of code reform will be made by Ofgem using its transitional powers. However, there may be additional code modifications needed to support transitional arrangements ahead of code manager appointment for each code, which may be best delivered by code parties under existing arrangements. Alternatively, some consequential changes may not be prioritised for completion before code management appointment, with the code manager expected to lead the delivery of these through the new framework. We will consider this on a case-by-case basis.

Implement Ofgem’s new strategic functions and transition to code manager arrangements – phase 1

Act now category

Relevant codes

This content is relevant to the following codes:

BSC

REC

Unknown

Code changes

We aim to license the first code managers from November 2026. To support this, we have now published:

- The [second decision on implementation of code reform, including a consultation on the template code text](#) setting out the proposed code modification process and stakeholder advisory forum arrangements;
- The [joint government and Ofgem response to the consultation on code manager licence conditions and code modification appeals to the Competition and Markets Authority \(CMA\)](#);
- The [energy code reform phase 1 decision on transitional measures and code changes](#);
- The [template code text](#) for the code modification process and stakeholder advisory forums which we expect to adapt for each code subject to the statutory consultation process; and
- The [statutory consultation on modifications to the Retail Energy Code and affected licences](#)

Through these publications (and earlier consultations) we have set out the proposed code and licence modifications that may be required in connection with the following

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areas, which we anticipate that Ofgem will implement using transitional powers granted by the Act:

- Implementing Ofgem’s new strategic functions, such as ensuring that the codes enable Ofgem to use its powers to be able to direct CSDBs.
- Implementing the new code manager licensing regime, which may require consequential changes to the relevant codes to ensure alignment with the licence (such as potential impacts on cost recovery mechanisms, budgeting).
- Establishing stakeholder advisory forums, which will provide the code manager with advice, support and assistance in carrying out its functions.
- Updating code modification processes and associated governance arrangements.
- Adding a standard condition to all existing licence types to cooperate with code managers where reasonably requested.
- Consequential changes required in connection with the above, or other elements of the reform process.

Following completion of the template code text and phase 1 decisions, we intend to publish the proposed code text for the BSC and associated licence conditions for consultation later in 2026 using our schedule 12 powers under the Energy Act 2023.

Simplification of the codes

Act now category

Relevant codes

This content is relevant to the following codes:

BSC

REC

Code changes

Code managers will be responsible for making sure the codes are as easy as practicable to access, understand and engage with. This obligation is set out in a principles-based [Standard Licence Condition](#) for ease of use of the code. See Chapter 1 (1.11) for further details. Our expectation would be that to comply with it, code managers would (among other things):

- Digitalise the code and provide other tools that enable easy navigation of the code, improving functionality over time to align with best practice
- Use plain language in the code and related documents (as far as possible)
- Remove defunct clauses and consolidate and rationalise the content of the code to help streamline the code

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- Ensure their website meets the accessibility requirements that apply to public bodies (e.g. ensuring the website can be used by those with impaired vision, motor difficulties etc.)
- Provide written guidance or training on the code, to support understanding
- Ensure the website is easy to navigate, such that the code and any related guidance can be easily located
- Not put unnecessary barriers in the way of accessing the code (e.g. requiring website users to log in to access the code).

Following their appointment, code managers should take steps to comply with these requirements. We recognise, however, that delivering these changes and any associated actions may require time to fully implement. We expect this to be an ongoing responsibility for code managers, recognising that technology and market arrangements will continue to evolve over time, requiring continuous review and improvement of the code's accessibility, usability and structure.

Implement Ofgem's new strategic functions and transition to code manager arrangements – phase 2

Act now category

Relevant codes

This content is relevant to the following codes:

CUSC

DCUSA

IGT-UNC

UNC

Unknown

Code changes

Phase 2 of the transition will focus on embedding the new governance framework within the consolidated electricity commercial code (consisting of the CUSC and DCUSA) and the consolidated gas code (consisting of the UNC and IGT UNC). For these phase 2 codes, we expect that code modifications will be required across all the areas identified for phase 1, as set out above. We will consult on those modifications and implement them using the transitional powers granted by the Act, supported by industry expertise and engagement.

Consolidate codes

Act now category

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Relevant codes

This content is relevant to the following codes:

CUSC

DCUSA

IGT-UNC

UNC

Code changes

Work on phase 2 is underway, including the development of our proposal to consolidate the CUSC and DCUSA into an electricity commercial code and the UNC and IGT-UNC into a unified gas code.

We expect Ofgem to lead the development of the code modifications needed to deliver this consolidation, drawing as appropriate on support from relevant industry bodies to develop the required code text. Wider industry engagement is ongoing, including bilateral discussions with code administrators and a series of industry workgroups completed in summer 2026.

This Ofgem-led consolidation exercise is intended to be limited in scope, focusing on consolidating the following list of governance provisions (where relevant and appropriate) using the transitional powers granted to us by the Act:

- Common contractual framework
- Contract boilerplate and defined terms
- Party accession and exit
- Code objectives
- Code modification process
- Code compliance
- Credit cover arrangements
- Dispute processes
- Derogation provisions

This work will form the first stage of a longer-term exercise to rationalise and simplify the codes, which will be continued by code managers once they are in place.

We are planning to consult on the policy in early 2027 and to issue a statutory consultation on the changes required to the codes in late 2027. These modifications are expected to come into effect alongside the grant of the relevant code manager licences.

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Implement Ofgem’s new strategic functions and transition to code manager arrangements – phase 3**Think & plan category****Relevant codes**

This content is relevant to the following codes:

D-CODE

GRID CODE

SEC

SQSS

STC

Unknown

Code changes

Phase 3 of the transition will focus on embedding the new governance framework within the consolidated technical code (consisting of the Grid Code, Distribution Code, SQSS and STC) and the SEC. We expect that code modifications will be required across all the areas identified for phase 1, as outlined above. Ofgem will consult on these modifications and implement them using the transitional powers granted by the Act, supported by industry expertise and engagement.

Consolidate codes**Think & plan category****Relevant codes**

This content is relevant to the following codes:

D-CODE

GRID CODE

SQSS

STC

Code changes

The objectives, processes and scope of consolidation during phase 3 of our reforms will be the same as those outlined above for phase 2 (in the ‘Act now’ category).

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Net zero code objective

Listen & wait category

Relevant codes

This content is relevant to the following codes:

ALL

Code changes

In the first preliminary SDS, we proposed introducing a net zero code objective by modifying relevant licences and codes. We remain supportive of the policy intent – ensuring that progress towards carbon budgets and the net zero target is appropriately reflected within industry codes.

However, in light of upcoming code consolidation and the government’s intention to introduce a new set of three equal principal objectives, focusing on the interests of existing and future consumers, net zero and growth, we intend to consider whether a broader, more holistic review of code objectives (as discussed in our [August 2024 decision](#)) would provide a more coherent and durable framework. We will continue to reflect on this and update stakeholders on next steps in due course.

Objective 12: Deliver effective and efficient market incentives and signals**12.1: Work with government to deliver reforms which set efficient locational incentives for investment and operation across the energy system****Local Energy**

Think & plan category

Relevant codes

This content is relevant to the following codes:

BSC

CUSC

DCUSA

REC

Policy context

This objective contributes to the Fair prices, Low-cost transition and Resilience pillars of Ofgem’s Consumer Interest Framework.

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In May 2025, Great British Energy²⁴ (GBE) was established by the government as a publicly owned energy company at the heart of the mission to make Britain a clean energy superpower. One of GBE's key strategic objectives is to support delivery of the Local Power Plan (LPP) and drive the sustained long-term growth of local and community energy. GBE will enhance support (funding and technical assistance) for local and community energy by partnering with devolved governments, local government, and community energy groups.

Local energy schemes vary in terms of ownership models, objectives and structure, extending from local renewable power production to smart local energy systems (SLES) which incorporate supply and local trading. Most are electricity focused, although smart systems are increasingly extending into the built environment, heat, waste and transport vectors. Depending on the type of scheme and local circumstances, benefits could include reducing system imbalance, better managing network constraints, facilitating higher consumer engagement, and lowering bills. However, enabling local energy at scale will have implications for current market and regulatory arrangements.

GBE published its [Strategic Plan](#) in December 2025, detailing its investment priorities. This was followed by government launching the LPP (February 2026) a £1bn commitment to support the deployment of up to 1,000 clean power projects owned by communities, local authorities and other public bodies to deliver tangible benefits to energy consumers and local areas (by generating income and creating jobs).

The initial focus (2026-27) of the LPP and GBE's support package is to deploy more local power schemes. The LPP also sets-out that government will continue to explore policy and regulatory changes which would maximise the benefits of local generation for consumers, communities and the system. This includes working with GBE to pilot and measure the impact of SLES and determine what policy and regulatory changes are needed. Government also gives strong support to the progression of modification BSC P441 (and other modifications), which may make it easier to establish local energy communities.

Enabling the growth of local energy communities will have broad policy and regulatory implications. Government will need to determine its ambitions for SLES and the policy trade-offs this will require; Ofgem will continue to work alongside government and GBE to consider how the regulatory framework (licensing and codes) affects government's aspirations, including through introducing greater strategic spatial planning (including the development of RESPs to ensure coordination between local spatial and energy system planning) and the rules governing supply, connections, flexibility and system balancing.

Code changes

It is not possible at this stage to specify the measures that will be required to enable the effective deployment of SLES arrangements as these are dependent on government's policy direction. We do, though, expect that code modifications will likely be needed, which could include changes to the BSC, REC, CUSC and DCUSA. DESNZ's and GBE's

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work with stakeholders over 2026-27 will refine government's future vision for SLES and implications for codes. In the meantime, we encourage relevant code administrators and code panels to engage with local and community stakeholders and market participants to identify where code changes may enable consumers, communities and the energy system to benefit from local power and SLES arrangements.

Reformed National Pricing: Siting and Investment Levers Reforms

Act now category

Think & plan category

Relevant codes

This content is relevant to the following codes:

CUSC

DCUSA

GRID CODE

Unknown

Policy context

In July 2025, government concluded the [Review of Electricity Market Arrangements \(REMA\)](#) and published their decision to retain a single GB-wide wholesale market and introduce Reformed National Pricing (RNP), a package of reforms to improve the efficiency of the future power system. Additional information on these reforms was included in the government's [RNP Delivery Plan](#) and associated consultation (published in April 2026), which set out the strategic approach and forward timetable for delivering reforms to support a more efficient, secure and cost-effective electricity system.

The SSEP will provide the strategic plan for where energy infrastructure is needed, while RNP reforms and RNP siting & investment levers, including potential changes to locational charging, are intended to create a framework that supports efficient delivery of that strategic plan while maintaining investor confidence and protecting consumers. Reforms to locational charges for new assets would align with the strategic direction set by the RNP programme and will be designed to maintain investor confidence through stable, predictable and transparent charging. For existing and transitional assets, there is potential for measures to be introduced to protect consumers and to seek to ensure a stable environment for investment.

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Our [Call for Input on Locational Charges and Regulatory Siting Levers under RNP](#) (published in March 2026) provides more detail on the case for change to network charging arrangements and why we are developing required reforms. It highlights considerations such as a potential misalignment between network charges and strategic plans as well as the issue of predictability of charges. The Call for Input also sets out options for proposed reforms to charging arrangements under consideration which range from incremental to substantial changes. The final shape of reforms and the role of future charging arrangements will depend on government's future decision on the combination of the broader package of different RNP siting & investment levers.

Code changes

Code modifications will be required to deliver changes to network charging under the RNP programme and, where necessary and desired, to introduce transitional and legacy arrangements. Further work is needed to settle the design of this programme of changes and how they will be implemented. The necessary code modifications may be implemented through powers taken in legislation, rather than through the standard code change process. For reforms to charging, the specific nature of these changes will depend on decisions taken about the role charging will play alongside other levers to deliver the SSEP and RNP objectives. We anticipate that significant changes across several codes, including the CUSC, may be necessary.

The timelines for these code changes will be informed by the government's consideration of legislative provisions that may support accelerating RNP delivery, with progress dependent on identifying an appropriate legislative vehicle, and continued work on planning for implementing reforms.

Act now category

Subject to legislative powers, we would expect that code modifications for any transitional arrangements, and potentially also legacy arrangements, would be made ahead of making code modifications for longer-term reforms as a part of RNP. As set out in our Call for Input, we are continuing to consider and conduct work on the design and development of legacy and transitional arrangements and expect this to complete for transitional arrangements, and potentially also legacy arrangements, next year.

Additionally, proposed short-term changes to transmission network charging not aligned with the delivery of RNP will be deprioritised, unless they address an urgent and material defect or progression is likely in the interests of wider industry/consumers – please see Objective 12.2 below for more detail.

Think & plan category

While decisions on the enduring design of network charging for new assets have not yet been taken, ongoing engagement and collaboration with industry to shape and inform this design will be needed as policy development progresses. In coming years

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stakeholders should plan, resource and budget for changes as the nature of changes and the enduring network charge regime becomes clearer.

Reformed National Pricing: Balancing, Settlement and Dispatch Reforms

Act now category

Think & plan category

Relevant codes

This content is relevant to the following codes:

BSC

CUSC

DCUSA

GRID CODE

REC

SEC

Unknown

Policy context

In July 2025, government concluded the [Review of Electricity Market Arrangements \(REMA\)](#) and published its decision to retain a single GB-wide wholesale market and introduce Reformed National Pricing (RNP), a package of reforms to improve the efficiency of the future power system. Additional information on these reforms was included in the government's [RNP Delivery Plan](#)¹⁸, which set out the strategic approach and forward timetable for delivering reforms to support a more efficient, secure and cost-effective electricity system.

RNP includes an operational efficiency package intended to support efficient system operation and ensure that NESO has appropriate tools and frameworks to manage increasing levels of redispatch in a more cost-effective manner. This package focuses on improving balancing, settlement, and dispatch while maintaining a single national wholesale price.

¹⁸ Please see chapter 4

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The operational package under consideration includes the following potential reforms:

- Lowering the mandatory Balancing Mechanism (BM) participation threshold;
- Matching Final Physical Notifications with traded positions;
- Aligning the Market Trading Deadline with Gate Closure;
- Moving to a shorter settlement period.
- Introducing unit-bidding; and
- Longer-term dispatch reform.

In April 2026, NESO published a Call for Input on the RNP balancing, settlement and dispatch reforms, which gave stakeholders the opportunity to provide their views on the reforms and how they should be delivered. The scope, design, and sequencing of the balancing and settlement reforms will be informed by insights gathered through stakeholder responses to the [NESO-led Call for Input](#), alongside ongoing cost-benefit analysis and impact assessments. NESO published an initial [summary of Call for Input findings](#) in July 2026. Subject to policy decisions, reforms are expected to be scoped during 2026-2027, with implementation phased over time.

In addition, the package considers alternative dispatch arrangements that could reduce the volume and cost of redispatch. These options (as well as some options being considered under unit-level bidding) remain at an early stage of development and require longer-term policy development and assessment before any decision to proceed.

Code changes

Code modifications will be required in order to deliver the balancing and settlement reforms under the RNP programme. As set out in [government's RNP Delivery Plan](#), and subject to the progress made through NESO's Call for Input and cost benefit analysis, we will be looking to progress minded-to policy decisions throughout the rest of 2026-27, with code modifications commencing soon thereafter.

We expect implementation to be phased, with some code changes drafted and potentially introduced ahead of April 2028 and others extending into the post-2030 period. Implementation is likely to require coordinated changes across multiple electricity codes, including the BSC, Grid Code, CUSC, DCUSA, REC and SEC. The timelines for these code changes will be informed by the government's consideration of legislative provisions that may support accelerating RNP delivery, with progress dependent on identifying an appropriate legislative vehicle.

Act now category

Early engagement and planning will be important to ensure that industry is ready to support implementation once the scope, sequencing and delivery route are confirmed. We expect to work collaboratively with code governance bodies, NESO, government and industry to inform the detailed design of the reforms, identify implementation

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requirements, and assess cross-code and system impacts, while working towards drafting and implementing code changes as soon as it becomes possible to do so.

Our asks of stakeholders within the Act now time horizon may include:

- working with Ofgem, government and NESO to scope and plan implementation;
- identifying system and operational impacts;
- assessing cross-code dependencies;
- budgeting and resourcing for changes; and
- where necessary, supporting the development of code changes.

Think & plan category

Some proposals within RNP include later phases that extend beyond the 2027-28 financial year. Others require further policy exploration and remain subject to outcomes such as a positive cost-benefit analysis. Where this is the case, we ask that stakeholders use this SDS period to proactively prepare for later changes. This may include:

- working with Ofgem, government and NESO to scope and identify implementation stages and impacts;
- identifying emerging system and operational needs;
- identifying emerging cross-code dependencies, and
- budgeting and resourcing for future changes.

We therefore consider that both the Act now and Think and plan categories remain appropriate for the RNP balancing, settlement and dispatch reforms. This reflects the need for both near-term engagement, including code drafting where applicable (Act now), alongside preparatory work for some elements of implementation which will depend on further policy decisions and may be delivered over a longer timeframe (Think and plan).

12.2: Introduce low-regrets near-term reforms to support system efficiency

Transmission and Distribution Network Charging and Other Short-Term Reforms

Act now category

Think & plan category

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Relevant codes

This content is relevant to the following codes:

BSC

CUSC

DCUSA

Policy context

This objective contributes to the Fair prices, Low-cost transition and Resilience pillars of Ofgem's Consumer Interest Framework.

Progression of the Distribution Use of System (DUoS) Significant Code Review (SCR), launched in February 2022, and subsequent industry engagement is dependent on the outcome of market and transmission design choices and, in particular, the government's RNP programme. It also depends on the outcome of the Cost Allocation and Recovery Review (CARR), which would inform cost recovery across both distribution and transmission network charging.

We recognise the need to ensure that charging arrangements are not a barrier to the clean power transition, and that they should send coherent investment signals alongside market arrangements and government's support schemes such as CfDs. Government has now published its decision on REMA – please see Objective 12.1 above for more detail on REMA/RNP.

Code changes

Act now category

DCUSA modifications over the coming 18 months will remain industry-led and focus on improving the functionality and practicality of DUoS charges. We expect forthcoming DCUSA proposals to prioritise addressing defects in the existing approach, rather than introducing changes to its conceptual design. By concentrating on resolving current shortcomings, we anticipate that more attention and resources can be directed towards large-scale reform projects. Such modifications should reflect wider Ofgem approaches to delivering improvements to consumers and the cost recovery approach.

We note ongoing work by workgroups relating to residual fixed charges and to the connection charging and cost socialisation impacts of distribution connections that require transmission reinforcement. We will continue to engage in these discussions and consider links to ongoing work within the CARR and Connection Reform Projects.

There continues to be a significant number of CUSC modification proposals at varying stages of the process, and we continue to take an active role in CUSC Panel discussions as to the relative priority of each proposal.

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The necessary code modifications to implement RNP may be implemented through powers taken in primary legislation, rather than through the standard code change process, as indicated in the government's RNP decision, and as such we envisage reforms being Ofgem-led rather than industry-led.

We recognise that there are live proposals which might be capable of near-term implementation. We are mindful however of the potential to layer change upon change in the context of broader reform. We therefore plan on (alongside the CUSC Panel) continuing to review current proposals and the extent to which they address matters that are under question more broadly in the context of RNP.

We anticipate that industry's time and resources, as well as our own, would be best deployed in considering matters aligned with the delivery of RNP and the longer-term questions of how transmission charging should be reformed rather than progressing narrowly focused proposals dealing with near-term singular issues for a specific user or collection of users. For this reason we have set up two work groups to support this process – the Charging Transitional Arrangements Group (CTAG) and the Locational Charges Design Group (LCDG) for which the material is publicly available.

We would therefore hope that any new charging-related CUSC modification proposals would be discussed with Ofgem and wider industry forums prior to being raised. We may deprioritise proposals, if and when they come to Ofgem for a decision, if we consider that they are not part of a legislative or regulatory requirement, and if progression is unlikely to be in the interests of wider industry/consumers and that they are not either dealing with pressing matters or clearly linked to the overall reform programme required in transmission charging.

Work is ongoing on some industry-led BSC modification proposals aimed at improving the efficiency of the wholesale electricity market and the Balancing Mechanism. We expect these to be progressed and where relevant sent to us for decision within the next 12 months.

Think & plan category

Given the current landscape of DUoS code modifications, there are currently no workstreams confirmed for implementation or development in the 'think and plan' timescale. We anticipate that this context will evolve in the coming years as market design and transmission reforms continue to progress.

The decision to retain a national wholesale market price under RNP and deliver a more strategic and coordinated approach to the energy system will directly impact the role of transmission and distribution charges.

We anticipate that stakeholders will raise modification proposals to the BSC to ensure markets work fairly and efficiently in the overall interests of consumers, amid an evolving market landscape and shifts in the generation mix.

Cost Allocation Recovery Review

Think & plan category

Relevant codes

This content is relevant to the following codes:

ALL

Policy context

This objective contributes to the Fair prices, Low-cost transition and Resilience pillars of Ofgem’s Consumer Interest Framework and the Investability pillar of the Markets Vision and Strategy.

Great Britain is transitioning to a cleaner, more secure and resilient energy system. As we reduce reliance on fossil fuels and invest to upgrade and maintain our infrastructure, the structure of energy system costs will change. At the same time, new technologies and uses are changing how and when consumers use energy.

These changes raise questions about how the energy system should be paid for by consumers. New approaches could offer better protections for consumers, while supporting decarbonisation and growth. The [Cost Allocation and Recovery Review](#) (CARR) is looking at whether there are fairer and more efficient ways of how we allocate and can recover energy system costs.

In July 2025, we published our [Call for Input \(Cfi\)](#), and this closed in September 2025. We invited views on approaches to improve efficiency and fairness based on the amount of energy used, time of use, location, ability to pay, as well as asking what other options could be considered. We received 330 responses, 75% of which were from domestic consumers.

We are considering all responses and evidence submitted as part of the Cfi, including the distributional impacts of alternative cost recovery approaches across consumer groups. This review does not replace any existing and related work. We intend CARR to bring together our reforms on retail pricing and network charging in one coordinated programme to ensure that pricing reforms remain consistent with the evolution of underlying costs. We are working closely with related teams in Ofgem and government as we may both need to use our levers to implement any changes, and to ensure coherent policy development.

We engaged with stakeholders in spring 2026 on our options, analytical framework, and initial findings. Further information on what we heard from stakeholders can be found [here](#).

In addition to the wider work under CARR we are also working on a sub-workstream that is focusing on ways of improving predictability of network costs for both industry and consumers. We have engaged with industry to understand the more substantive areas

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driving unpredictability and have identified TNUoS and Gas Distribution charging as two areas which could potentially be improved through the adjustment of the final notice periods and forecasting of charges.

Code changes

Many of the options under consideration in CARR would require changes to the codes, and we engaged with industry stakeholders in spring 2026 to gain early feedback on these implementation considerations. We will continue to engage with stakeholders, including code parties as appropriate to communicate our proposed direction of travel and what this may mean for the codes.

Under the predictability sub-workstream of CARR, we have identified potential changes to both Gas Distribution and TNUoS charge notice periods, which are set out within both the UNC and CUSC codes. From Autumn 2026, we plan to engage further with industry on the appropriate changes and the best way to deliver potential changes through these codes.

Objective 13: Enable consumer-led flexibility

13.1: Unlock consumer-led flexibility and regulate load controllers

This objective contributes to the Low-cost transition pillar of Ofgem's Consumer Interest Framework and the Innovation pillar of the Markets Vision and Strategy.

Consumer Led Flexibility (CLF) is where flexibility is provided by consumer's assets, such as residential and non-domestic appliances, EVs, heat pumps, solar PV and behind the meter batteries. This is an important source of additional low-cost system flexibility and is expected to play a key role as we transition to a renewables led, smart flexible energy system. The government's mission for Clean Power by 2030, accelerating the pace at which generation is decarbonised, emphasises the importance of such flexibility.

Unlocking the value of CLF is a challenge that requires enabling consumers to individually use energy flexibly, at the best times for them and the system, while creating the infrastructure and markets to make it technically feasible and ensuring the right consumer protections are in place. There remain a number of market access, coordination and broader barriers to flexibility growing at the scale needed to support decarbonisation.

The [Clean Flexibility Roadmap](#) jointly published by government, Ofgem and NESO in July 2025 set out an overall approach to growing flexibility on the system from a range of sources, including CLF - and includes a range of actions to help tackle barriers to flexibility. Stakeholders have been updated on progress towards these actions at quarterly forums. In July 2026, an [update](#) to this Roadmap was published outlining further actions required to grow flexibility.

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Market Facilitator

Think & plan category

Relevant codes

This content is relevant to the following codes:

BSC

D-CODE

DCUSA

GRID CODE

Policy context

We want to make it easier for flexibility service providers to access and participate in transmission and distribution markets. We therefore created a Market Facilitator role, a single expert entity with a mandate to grow and develop local flexibility markets that are accessible, transparent and coordinated. We appointed Elexon to be the delivery body. The Market Facilitator became fully operational on 12 December 2025.

Code changes

The Market Facilitator issues and amends [Flexibility Market Rules](#). These include the common rules, market processes, services and standards that DNOs and NESO are required to adopt and adhere to. The Flexibility Market Rules are not part of a code but are maintained and published on the Elexon website.

As part of its mandate to align local and national flexibility market arrangements, in future, the Market Facilitator may identify that, in addition to the Flexibility Market Rules, code modifications are required, to the BSC, D-Code, DCUSA or Grid Code.

Increasing market access for consumer-led flexibility

Act now category

Think & plan category

Relevant codes

This content is relevant to the following codes:

BSC

Policy context

Alongside the Market Facilitator and other enabling workstreams such as digitalisation, we have been considering the remaining barriers to consumer-led flexibility in legislative, regulatory and industry rules and markets.

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The original design of markets and the associated rules set out in industry codes were not developed with the participation of demand side flexibility in mind, as a result they can sometimes act as a barrier. Over recent years, a number of code modifications have been proposed and, in some cases, implemented that seek to open markets to consumer-led flexibility via independent aggregators or bring in compensation arrangements where this happens – for example code modifications P344, P415 and P444. Multiple live code modifications (P509, P510, P502) focusing on compensation in flexibility markets are being developed by industry.

However, within both the BSC and when considered alongside changes in NESO or DNO markets, these have tended to develop in a piecemeal manner.

A number of stakeholders have called for a more holistic consideration of how markets should be opened up to aggregators, whether market signals are facilitating the right sort of flexibility, and what the interaction should be with suppliers. For example, imbalance correction and compensation.

Code changes

Following early engagement with the P509 and P510 workgroups to support well-informed decision making in line with the BSC objectives, Ofgem is leading policy work, in alignment with our duties, to ensure decisions made on upcoming compensation code modifications are robust, and part of a coherent regulatory approach across different markets that supports investment and innovation from both suppliers and aggregators. Ofgem will engage government as appropriate to ensure alignment across policy and regulatory approaches to enabling consumer led flexibility. We'll also engage with stakeholders to inform this work and share the outputs as appropriate.

Whilst we are undertaking this work, we would like industry to think about how to enable flexibility in a way that is:

- Useful to overall system need (including appropriately incentivising both demand turn down and demand turn up with demand turn up considering both the second leg 'rebound' of a demand shift and 'demand creation')
- Cost-effective for consumers, and
- Efficient and fair for market participants.

We expect industry and the BSC code administrator to consider these goals in any code modifications proposals being brought forward. For any future modifications, this falls into the 'think and plan' category. For live modifications on compensation arrangements, we expect industry to consider the objectives stated above while progressing these modifications. These fall into the 'Act Now' category.

As we continue to develop our regulatory approach, if we conclude that there are areas where further code modifications are needed (for example in introducing or amending imbalance correction or compensation mechanisms), we will set these out. We would expect the BSC code administrator (and future code manager) to work closely with us as this work progresses.

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Wider barriers to consumer-led flexibility

Act now category

Think & plan category

Relevant codes

This content is relevant to the following codes:

BSC

CUSC

Unknown

Policy context

As flexibility grows, with the growth of low carbon technologies and their capabilities (such as export capable technology such as EV Vehicle-to-Grid systems), the entry of aggregators and growing interest in more sophisticated tariff offerings, we expect that further barriers to flexibility caused by existing code rules may emerge.

Code changes

There have already been changes made to the BSC, such as P483, to address some of these barriers to flexibility. Going forwards, we expect an important role for the future code managers will be to take a proactive role in identifying and tackling existing and emerging barriers to flexibility that relate to code rules, including driving forwards code modifications where appropriate. We would like the code managers to do this in a holistic way, working alongside NESO, the Market Facilitator, and industry more widely.

Ofgem, along with government, can contribute views on such barriers and provide strategic direction, and industry stakeholders can play an important role identifying issues and supporting detailed changes needed. We expect this is likely to be an ongoing process – with a programme of work over a period of years encompassing the ‘Act now’ and ‘Think and plan’ timelines – to monitor and address barriers over time.

Ofgem is leading action 5a in the [Clean Flexibility Roadmap](#), to explore barriers and solutions to ‘demand turn up’ flexibility. This action involves ongoing policy-driven work to consider the needs case and any proportionate measures required to enable demand turn up that provides system benefits. This work could potentially highlight areas where code modifications may be needed to address barriers. As this is still an active and developing policy area, we expect this to be within a ‘Think and plan’ timeline with potential code modifications to be considered at a later stage following on from conclusions of the policy development stage.

The asymmetric charging of certain electricity costs is considered a key barrier to the rollout bidirectional V2G charging, which could be a significant source of future energy flexibility, and also effects re-export from small scale batteries. Government are

Second preliminary Strategic Direction Statement for industry codes

seeking to address this, and final policy implementation may require code modifications along a ‘Think and plan’ timeline.

We recognise that Consumer Led Flexibility is a cross-cutting area, and that the capabilities of low carbon technologies are growing. For that reason, we have included ‘unknown’ in the relevant codes section.

Smart Secure Electricity Systems

Act now category

Think & plan category

Relevant codes

This content is relevant to the following codes:

BSC

CUSC

D-CODE

DCUSA

REC

GRID CODE

Policy context

In November and December 2025 government published further detailed consultations on its Smart Secure Electricity Systems (SSES) Programme: Draft load control licence [regulations and conditions consultation](#), Draft first phase [energy smart appliances regulations](#), and [Tariff Interoperability](#), as well as a [government response on SSES enduring governance](#).

The objectives of the SSES Programme are to unlock domestic-scale flexibility through the use of Energy Smart Appliances (ESAs) such as domestic electric vehicle charge points and heat pumps. The SSES Programme aims to do this by putting in place the legislative, technical and regulatory measures to protect consumers and foster a thriving flexibility services market, as well as to mitigate cyber security and grid stability risks.

The SSES Programme consists of three key areas:

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- A new Load Control Licensing Regime where a licence will be used to regulate relevant flexibility service providers and load controllers, introducing requirements to address key risks around consumer protection, cyber security and grid stability.
- Legislation to establish technical and security standards for Energy Smart Appliances that will be controlled directly and remotely to provide flexibility services.
- Establishing standards for tariff data interoperability to facilitate flexibility service provision.

In August 2026 the government published its [response](#) to the consultation on draft load control licence regulations and conditions, which included:

- applications for a load control licence to open in March 2027, subject to Parliamentary scrutiny, and for the requirement to hold a licence to come into force in March 2028, 12 months after the application window opens,
- amending the drafting of the proposed Load Controller licensable activity by removing “controlling the timing of sending a load control signal” from the Load Controller licensable activity,
- pursuing an exemption for Load Controllers and FSPs where load control is for the purpose of benefitting the consumer and not for the purpose of providing services to persons operating a transmission or distribution system, or persons engaged in the wholesale trading of electricity in Great Britain, and
- including powers for Ofgem to apply targeted derogations from certain conditions.

In parallel, Ofgem published its consultation on [Implementing the Load Control Licensing Regime](#), which sets out our proposed approach to operationalising the new licensing regime, including our proposed application process, monitoring and data requirements, and approach to compliance and enforcement.

In August 2026 Ofgem published its [decision](#) on the Load Control Licensing Regime, which included:

- applying targeted derogations where electricity supply licence protections already provide sufficient consumer protection,
- three different pathways for applicants,
- the ability to revoke a licence for non-compliance with Network and Information System (NIS) regulations,
- tacit authorisation for applicants after 9 months, and
- the Consumer Protection Guidance retained as consulted.

At present, there are three areas relating to the SSES programme that may require code modifications, which are tariff data interoperability, enduring governance of SSES technical and security standards and grid stability requirements.

SSES: Tariff data interoperability**Act now category****Relevant codes**

This content is relevant to the following codes:

REC

Code changes

Tariff data interoperability is an important enabler for widespread consumer participation in flexibility services and deriving best value for them. In April 2025, government confirmed its intention to introduce the first phase of tariff interoperability by making changes to the Electricity Supply Licence Conditions and to the Retail Energy Code (REC).

This will require energy suppliers to comply with a tariff data specification to be set out in the REC, so that suppliers are required to make tariff information available and ESAs can easily receive and respond. The REC has been identified as the most appropriate code to house the tariff interoperability technical standard as it covers both gas and electricity sectors and is consumer focused. The REC also allows non-REC parties to raise amendments and to be involved in the modification process. Government intends to extend these requirements to gas suppliers as part of ‘phase 2’ of this workstream.

Government are leading on the implementation of the changes to Electricity Supply Licence Conditions and the REC, and in December 2025 published a [consultation](#) on the draft changes.

Enduring governance of SSES**Act now category****Relevant codes**

This content is relevant to the following codes:

BSC

Policy context

Government has confirmed that an industry-led enduring governance body for SSES will be responsible for maintaining a set of technical and security frameworks for Energy Smart Appliances and flexibility services. The Technical Governance Group and Security Governance Group will help ensure energy smart appliances and load control licensees continue to meet interoperability and cyber security standards, including protections against emerging risks. In November 2025 [government confirmed its decision](#) to modify the BSC to enable Elexon to deliver the Technical Governance Group and Security Governance Group, set up both Groups as BSC Panel Subcommittees,

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and implement cost recovery for the 'transition phase' through BSC costs. The modification was enacted by Secretary of State using powers set out in the Energy Act 2023 and took effect from 5 December 2025.

Code changes

In the coming months it is likely that government will need to implement further modifications to align load controllers to BSC rules for the purposes of formalising enduring governance. Furthermore, as policy develops, further provisions may need to be codified under the BSC.

SSES: Grid stability requirements

Think & plan category

Relevant codes

This content is relevant to the following codes:

CUSC

D-CODE

DCUSA

GRID CODE

Policy context

For consumer-led flexibility (CLF) to be effective, it is essential that participating in a CLF event does not cause unintended harm to the electricity grid. For Energy Smart Appliances, the government has announced its intention to introduce grid stability requirements as part of a new set of Energy Smart Appliance Regulations, which will mandate devices to be configured to perform a randomised delay function under certain circumstances. It launched a consultation on the draft regulations in December 2025.

Code changes

Government's December 2025 Licensing consultation proposes that load controller licensees should be required to comply with the Grid Code and Distribution Code, and become parties to the CUSC and DCUSA, to support grid stability. It also proposes to introduce a licence requirement whereby licensees must have regard to the effects that load control activity may have on the electricity system, and make sure that controls are in place to minimise the likelihood of any adverse consequences on the grid. Government, NESO and Ofgem are working together on what code modifications may be necessary to implement this proposal. We would expect any resulting code modification to be raised and implemented by industry through the standard code governance process.

13.2: Continue to drive the benefits of smart meters through regulatory oversight of roll-out and data flows

Smart metering and retail market operations

Act now category

Think & plan category

Relevant codes

This content is relevant to the following codes:

REC

SEC

BSC

Policy context

This objective contributes to the Fair prices, Quality and standards, Low-cost transition and Resilience pillars of Ofgem's Consumer Interest Framework, and the Innovation pillar of the Markets Vision and Strategy.

Ofgem is responsible for regulating energy suppliers who must ensure the timely roll out of smart technology, such as smart meters, to support the country's shift to a cleaner, more flexible energy system. Smart meters provide a key benefit to consumers via their ease of use (such as from remote readings and top-ups), and via opportunities to develop innovative products and services such as new tariff offerings based on Time of Use and other metrics.

Code changes

Code modifications are primarily required to enable government to transition specified responsibilities to SEC bodies. Code changes will also be required to enable innovation within the smart metering space given that smart metering data will play a key role in decarbonisation efforts in relation to the Consumer Consent Solution (CCS) which will require code changes relating to data access, consent management and accreditation of new users, while ensuring that consumer and system data remain secure and consumer trust is maintained.

The SEC is the main code relevant to the ongoing provision of smart metering services, however, modifications to other codes (including the BSC) may be required to facilitate the effective use of smart metering. We expect this might include changes to the REC to

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support the use of smart metering equipment to address energy theft reduction and improve data sharing/analytics amongst REC parties in relation to theft. Modifications to the REC will also be required to realise the benefit of smart meter data sharing.

Code modifications will likely be directed by government and other parties. Suppliers are subject to enduring obligations in relation to the installation and operation of smart meters. Whilst the previous annual targets framework ended on 31 December 2025, government has now implemented the Smart Metering Framework to 2030, which includes an obligation to complete the domestic smart meter rollout by the end of 2030 and submit annual deployment plans to Ofgem.

Think & plan category

Responsibilities for certain parts of smart metering are expected to transition in due course to enduring governance. As part of this, governance arrangements and industry codes may need to be amended to support this, which may result in the need for code modifications to potentially establish new governance arrangements and structures.

DCC Successor licence
Act now category
Relevant codes

This content is relevant to the following codes:

REC

SEC

Policy context

This objective contributes to the Fair prices, Quality and standards, Low-cost transition and Resilience pillars of Ofgem’s Consumer Interest Framework and the Innovation pillar of the Markets Vision and Strategy.

The current Smart Meter Communication Licence (SMCL) is due to expire in September 2027. Ofgem has run a programme of work (“DCC review”) to put in place new regulatory arrangements under a Successor SMCL and appoint a holder of that Licence.

Following an open competitive tender process [Ofgem has selected DCC2 Ltd](#), a wholly owned subsidiary of SECCo Ltd, as the Successor Licensee. The [Successor SMCL Licence](#) has now been granted and Ofgem has determined that the Transfer Date (on which the Successor Licensee will commence delivery of the Authorised Business under the Successor SMCL) will occur on 02 November 2026.¹⁹

¹⁹ Under LC 43.7 of the SMCL

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Code changes

Ahead of the Transfer Date changes are required to the SEC and REC to align the codes text to the conditions of the Successor SMCL and to manage transitional governance. These changes will be necessary to ensure consistency between the codes and the new licence.

We expect code changes to be primarily administrative in nature, including, but not necessarily limited to:

- Correction of references in the codes to the conditions of the Successor SMCL
- Changes to some existing, or the introduction of new, defined terms – this may include a recognition in the SEC of the Customer Challenge Group constituted pursuant to Ofgem-issued Terms of Reference²⁰
- Introduction of Additional User Services as a service category in the SEC
- Transitional management of two licences co-existing between the grant of the Successor SMCL and the end of the current licence

We have already requested from the code administrators a view on how the SEC and REC will be impacted by the grant of the Successor SMCL based on our consultation on its draft conditions. Following our decision on the final conditions of the Successor SMCL, we expect the code administrators to confirm and manage the implementation of the requisite changes and for all changes to be executed in a timely manner and in all cases no later than the Transfer Date of 02 November 2026.

13.3: Ensure successful rollout of Market-wide Half-hourly Settlement

Act now category

Think & plan category

Relevant codes

This content is relevant to the following codes:

BSC

CUSC

DCUSA

REC

²⁰ Ofgem (2025), Terms of Reference for Customer Challenge Group. Accessible as a subsidiary document at: www.ofgem.gov.uk/decision/terms-reference-customer-challenge-group-and-business-plan-guidance

SEC**Unknown****Policy context**

This objective contributes to the Low-cost transition pillar of Ofgem's Consumer Interest Framework.

In [April 2021](#), we decided to introduce market-wide half-hourly settlement (MHHS). MHHS will ensure that electricity suppliers and other retailers face the true costs of serving their customers throughout each half-hourly (HH) period.

MHHS is a key enabler for decarbonising the energy sector at the lowest cost to energy consumers. In our April 2021 decision, we estimated quantified consumer benefits of £1.6bn to £4.5bn by 2045. It is essential that industry implements MHHS as soon as realistically possible so that these benefits (and other, unquantifiable ones arising from increased competition and innovation) can start to be realised.

At the operational level, MHHS fundamentally changes the industry's settlement systems and processes. These matters are set out in detail within the BSC, but other codes are also affected, namely the REC, DCUSA, SEC and CUSC. Ofgem has used its Significant Code Review powers to make extensive changes to the BSC, REC and the DCUSA. Further, 'business as usual' modifications have also been made to most of the above codes to facilitate the timely and effective delivery of MHHS. Following these changes, the MHHS central systems went 'live' as planned on 22 September 2025 and the 18-month migration phase of MHHS began as planned on 22 October 2025.

Code changes

Consistent with milestone 1a of the Clean Flexibility Roadmap, we have considered whether new regulatory incentives are necessary to ensure that both the migration phase completes on time in May 2027 and that the cutover from the legacy 14-month settlement timetable to the new 4-month settlement timetable occurs as efficiently as possible thereafter. On 11 May 2026, Ofgem approved BSC Modification P487. This provides for restrictions on new customer registrations where a supplier misses the migration completion deadline for reasons within its own control. We do not believe that any further regulatory incentives are required to ensure timely completion of MHHS implementation. More generally, it remains possible that further code modifications will be required to complete the MHHS programme successfully. We will continue to engage with and support the relevant code bodies and the MHHS Programme if further code modifications are required.

As part of MHHS, we required Elexon to provide for third party access to [HH consumption data](#). The intention is that, for example, innovators and researchers will be able to use the data to create tailored products and services, and inform public policy, to the benefit of consumers. We have just published a consultation on proposed regulatory arrangements to enable this.

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Think & plan category

In 2021 we made a decision to pursue a ‘hybrid’ MHHS design architecture based around (what became known as) the Data Integration Platform and retaining the existing Data Transfer Network (DTN). At the time, we stated that keeping the DTN need not preclude its eventual full replacement. We noted that the desirability of doing so could be reassessed towards the end of MHHS implementation when there would be a better understanding of the capabilities of the new platform and the DTN, and of the development work that would be required. We will in due course discuss with interested parties the scope and timing of this work. However, our current view is that it should take place as soon as possible *after* completion of the MHHS programme.

Objective 14: Make a more digital energy system work for consumers**14.1: Set governance and standards to digitise system data and improve data sharing, and****14.2: Enable innovation across the sector****Act now category****Think & plan category****Relevant codes**

This content is relevant to the following codes:

ALL

Policy context

This objective contributes to the Quality and standards, Low-cost transition, and Resilience pillars of Ofgem’s Consumer Interest Framework.

The government’s Clean Energy Superpower mission and Clean Flexibility Roadmap necessitates an accelerated timeline for digitalisation. Considering this, government, Ofgem NESO, and other delivery bodies, have been working to improve how the energy sector collects, handles, shares, and utilises data to obtain best value for consumers, which will align with the future requirements of [the Data \(Use and Access\) Act 2025](#).

Our work focuses on three primary initiatives, each of which has a number of live or planned consultations:

- [Data Best Practice \(DBP\)](#)
DBP sets data standards and focuses on improving the openness, discoverability, and interoperability of data. The obligation to comply with DBP is scheduled to expand into industry codes.
- [Consumer Consent](#)

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CC enables consumers to share their data and take part in the net zero transition through a consistent and scalable system of granting consent for their data to be used.

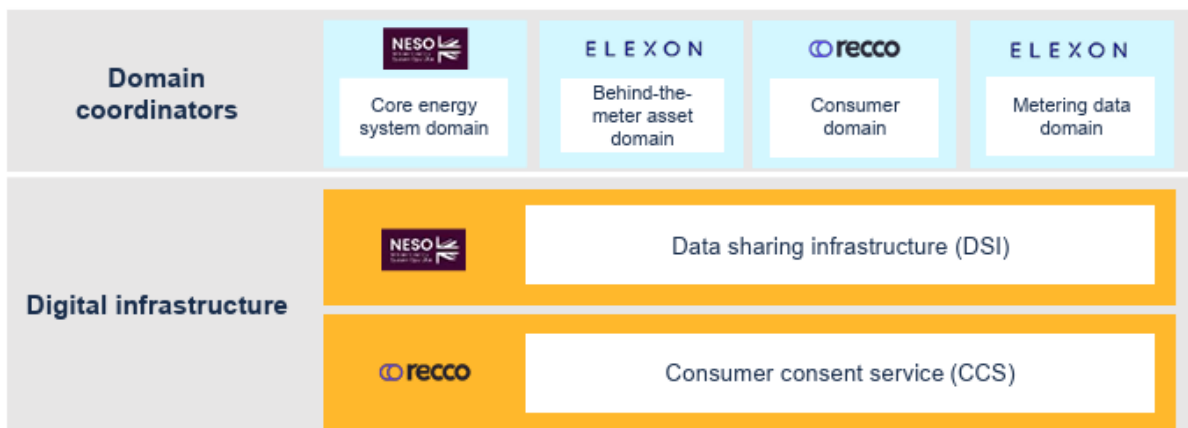
- **Data Sharing Infrastructure (DSI)**

DSI creates a safe, fast, and effective mechanism to share energy data between trusted organisations inside and outside of the energy sector.

Digitalisation must be considered as a whole, not in isolation, and we expect code administrators, future code managers and CSDBs to collaborate to maximise the value of the data they collect, store, and utilise. In addition to this expectation, Ofgem has published an Architectural Co-ordination letter to reflect our strategic view of [Energy Digitalisation Governance](#) and begun multi-lateral meetings to improve architectural co-ordination between initiatives in-flight and planned. Developing this co-ordination drive, we have published a joint Energy [Digitalisation Framework](#) on 23 March, in, which sets out a clear, coordinated approach to digitalisation, alongside a long-term governance framework to embed the direction over time.

The Framework forms a capstone aim for all digitalisation across the energy sector, and is underpinned by a number of co-ordination roles broken down into data domains – a defined category of related energy data, based on logical groupings of similar activities in the current landscape, such as asset data. Each domain has a designated domain coordinator, which will be accountable for setting consistent data standards within their allocated domain, for driving coherence (alignment and compatibility) both within their domain and cross system (by coordinating with the other domain coordinators), ensuring data quality, operational reporting, and for simplifying access to that data. Ofgem has recently consulted on the guidance for these roles in the [Data domain coordinator: role guidance | Ofgem](#). These coordinators are shown below.

Figure 2: Domain coordinators and bodies leading digital infrastructure



Domain coordinators include:

- NESO: Core energy system domain
- Elexon: behind-the-meter assist domain

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- Recco: consumer domain
- Elexon: metering data domain

Digital infrastructure includes:

- NESO: Data sharing infrastructure (DSI)
- Recco: Consumer consent service (CCS)

While these Domains are not directly analogous with the responsibilities of individual codes, there is some natural overlap of function, and some of the proposed domain coordinators currently hold code manager or administrator roles. The interactions between codes, primarily REC, SEC and BSC, are being coordinated through the Digitalisation Delivery Group, and will continue to evolve in alignment.

To minimise the risk of duplicative or non cost-effective approaches to digitalisation across the energy sector going forwards, government has established a Digitalisation Board that sits above the Digitalisation Delivery Group. Any new or expanded initiative in the digitalisation space will now need to go to the Digitalisation Board for approval before it is launched or before any material expense has been incurred. The Board will assess the proposal against the principles set out in the Energy Digitalisation Framework.

Code changes

Digitalisation work aims to align the use of data in industry codes with advances in the rest of the energy sector, such as the work led by networks and supported by suppliers, and voluntary adherence to DBP requirements by some CSDBs as well. DBP, DSI and Consumer Consent are all aimed at creating an agile, data-driven system which values data as an enabler of net zero and whole system efficiency.

Since the first preliminary SDS, work was conducted by government to explore options for data repositories to hold smart metering data. This work is ongoing, however a Scoping Exercise concluded that, based on the information provided at the time, there was no objection to the inclusion of smart metering electricity consumption data within Elexon's proposed Smart Data Repository (SDR) subject to further external assurance of the security aspects of the proposed SDR, and Ofgem ensuring an appropriate and robust legal basis for the SDR. The governance of this SDR is now being progressed under [Code Modification P494](#) and will be decided on by Ofgem in due course, subject to the provisions listed above. Linked to the above, any further decisions on data repository scope or creation will need to go through the Digitalisation Board.

Act now category

- **DBP Guidance**

We propose that adherence to [DBP Guidance](#) will be an obligation under all existing code manager licences by the end of 2026, following the outcome of

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[Code manager standard licence changes: data best practice | Ofgem](#)

consultation. Implementing DBP Guidance involves changes to all codes, with the current policy ambition changed from making changes through licences with consequential changes imparting the obligation to follow DBP Guidance to all codes. Following the [responses to the consultation](#), the decision has been taken to include an obligation in the Smart Meter Communication licence to oblige DCC to follow DBP Guidance. Further consultations will propose changes to the Code Manager licence to create similar obligations. These changes are aimed at licensed Code Managers only, with CSDBs and other organisations that hold large datasets on behalf of industry aligning with DBP Guidance through non-statutory engagement. DBP creates a culture of open and interoperable data by default, ensuring the utility of energy data is maximised whilst protecting sensitive data through effective triage.

- **Consumer Consent**

We expect the technical solution to be deployed as minimum viable products by the end of FY 2026-27, before they become enduring pieces of digital infrastructure within the energy system. We intend for the CCS to become the single long-term route for capturing and managing consumer consent across relevant industry arrangements. This will require relevant code parties to interact and align to manage the requisite changes to the REC, SEC, and other codes to reflect changes in how Consumer Consent is recorded and managed. We are discussing these changes with the relevant code parties and expect these changes to be progressed ahead of CCS implementation in Q1 2027. Timelines are intended to align with MHHS, Tariff Interoperability and SSES primarily and all will facilitate the RESP and Flexibility Market work.

Think & plan category

- **Data Sharing Infrastructure (DSI)**

The government response to the energy system [‘digital spine’ feasibility study](#) committed to the design and deployment of a DSI. NESO developed the DSI as a pilot during 2025 and are in the process of ensuring that the DSI becomes one of the enduring pieces of digital public infrastructure within the energy system. DSI is planned to mostly be enabled through licence changes, but some code modifications may be required to ensure full uptake by non-network companies who use and share energy data. DSI is not expected to have significant code changes during its minimum viable product stage, though it may require some modifications as part of future iterations, with timelines yet to be determined.

Asset visibility

Think & plan category

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Relevant codes

This content is relevant to the following codes:

D-CODE

Unknown

Policy context

Large numbers of small-scale distributed energy assets are expected to be deployed across the energy system over the coming years as part of the decarbonisation of power, heat and transport. [The Clean Power 2030 Action Plan](#) highlighted insufficient visibility of these assets as a challenge for the transition to a low-carbon energy system, with government, Ofgem and NESO setting out measures in the [Clean Flexibility Roadmap](#) to address this. Increasing the registration of distributed energy assets will improve network planning and operation and support a more efficient and coordinated energy system. Improved asset visibility is therefore a critical enabler of the efficient and effective operation of a low-carbon energy system.

In December 2025, government published the government response to its [Call for Evidence on improving the visibility of distributed energy assets](#). Government committed to a coordinated approach to improving asset visibility, including clarifying installer obligations to register assets with DNOs through primary legislation. Alongside this, government is committed to reducing installer burden through a digital-first approach, continuing to work with Ofgem and industry to improve DNO processes and support the use of existing datasets to enhance asset visibility.

Ofgem published its consultation on [Enhancing asset visibility: Distribution Network Operator options](#) in December 2025. This consultation sought views on how DNOs store and share asset registration data, the case for change for improving DNO asset registration, and the four options we identified for delivering a common approach to DNO asset registration. Ofgem is now developing proposals for a follow-up consultation, planned for early Autumn 2026, focused on the core design and delivery considerations needed to support an enduring asset visibility solution.

Ofgem is supportive of improving visibility of small-scale assets and highlighted asset registration issues in our [Flexibility Market Asset Registration \(FMAR\) consultation](#). Asset visibility sits in the digitalisation space. As above, any such new or expanded initiative will need to go to the aforementioned Digitalisation Board for approval before it is launched or before any material expense has been incurred.

Code changes

Governments [Call for Evidence on improving the visibility of distributed energy assets](#) identified a range of barriers to increasing DNO registrations, including a lack of clarity in the Distribution Code which refers to ‘users’ and not ‘installers’ as responsible for notifying DNOs of significant changes to connections. In alignment with directions set

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out in the [Government response](#), we are continuing to consider the potential case for code changes to improve asset visibility. We will keep industry updated if code modifications are required in the future.

14.3: Establish a framework for responsible use of artificial intelligence in the energy sector

Our assessment of government policies and energy sector developments relating to this objective has not identified any areas that would require code modifications.

Adaptability for innovation

Act now category

Relevant codes

This content is relevant to the following codes:

ALL

Policy context

This objective contributes to the Fair prices, Quality and standards, Low-cost transition and Resilience pillars of Ofgem's Consumer Interest Framework, and the Innovation pillar of the Markets Vision and Strategy.

Given the urgency of reaching the UK's net zero targets and the energy sector and consumers' role in doing so, it is more important than ever to enable swift development and implementation of innovation that supports net zero. In that context, rules governing the energy sector need to remain fit for purpose and in step with market developments to enable and respond to innovation.

Our ambition is to work with industry to define best practice when it comes to innovation in the energy sector. We think codes have an important role to play and have welcomed the introduction of derogation provisions, into some codes, that allow innovators to test new approaches. Where appropriate we have integrated some codes' provisions into our own [Sandbox](#). However, reflecting on the past few years and listening to feedback from innovators, we recognise that the existing mechanisms were designed for a limited number of use cases and may not be sufficient to enable the adaptable regulatory system we're envisaging. It's important that all codes introduce mechanisms to facilitate trials and timely market entry of innovations, including through derogations and trials of alternative rules.

Before updating code provisions, we want to work with industry to understand what is needed and identify how to best make changes that reflect our innovation sandbox and newly defined best practice around piloting innovation.

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Code changes

To operate effectively, we suggest the features listed below for such adaptability mechanisms, though we're open to considering the details of these further based on ongoing engagement with stakeholders:

- Enable derogations (that is, switching off rules so they no longer apply to someone or a specific activity). Derogations may be given on a trial, temporary or permanent basis, and any mechanism that enables derogations should have a robust process in place to understand wider potential consequences.
- Enable trials of alternative code rules.
- Enable swift changes to codes after successful trials²¹ (this could include mechanisms where required code changes are sponsored by future Code Managers rather than requiring initial proposers of trials to drive subsequent change)
- Facilitate individual as well as market-wide derogations or trials, meaning not every party has to apply on an individual basis.
- Facilitate derogations and trials that are initiated by Ofgem (for example, as part of a [Future Regulatory Sandbox](#)) rather than currently triggered by the application by an innovator.
- Enable coordinated cross-code adaptations for innovations that affect multiple codes.

Implementation of these functionalities may look different across the codes. We expect code administrators and future code managers to play a leading role in shaping and implementing code adaptability mechanisms, drawing on their understanding of the needs and characteristics of their respective codes. We expect them to proactively assess how their existing toolkits support innovation, identify opportunities to introduce greater adaptability, and develop proposals for mechanisms that can be implemented within their codes. We will work with industry to support the development of a shared vision and common principles where appropriate.

Implications of possible participation in the EU Internal Electricity Market (IEM)

Act now category

Think & plan category

²¹ Ideally, Code Managers would be proactive and, when appropriate, could begin the process of making permanent code changes so that they are enacted once a successful trial concludes.

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Relevant codes

This content is relevant to the following codes:

ALL

Policy context

As of December 2025, the [Government has agreed](#) to work towards the participation of the United Kingdom in the European Union's Internal Electricity Market (IEM) by way of an EU-UK Electricity Agreement. Discussions with the European Union are ongoing. Participation in the IEM could have significant implications for many of the industry codes.

Code changes

At this stage, it is not possible to determine the full scope of code changes that may be required, as any changes will depend on the outcome of negotiations and the detailed design of future arrangements. Nevertheless, successful reintegration into the IEM could necessitate substantial and coordinated amendments across a range of codes to facilitate new or revised market, operational and compliance requirements.

Relevant code bodies, future code managers and industry participants should therefore monitor policy developments and consider potential future implications for their respective codes. We expect further assessment and engagement will be needed once greater clarity emerges on the nature of any future UK participation in the IEM and the associated implementation requirements.

Appendix 1: Further Information on Ofgem's Duties

Our principal objective, enshrined in legislation, in carrying out our functions is to protect the interests of existing and future consumers. Our Consumer Interest Framework helps to explain what this duty means in practice and throughout this SDS we have identified the relevant pillars of our Consumer Interest Framework.

Figure 3: The Consumer Interest Framework

	 Fair Prices	 Quality & Standards	 Low Cost Transition	 Resilience
Description	Costs are efficient and fairly distributed. Undue price discrimination is prevented and action to minimise consumer welfare risks (for example, fuel poverty and self-disconnection) is supported.	Customer services throughout the energy supply chain are accessible, transparent and responsive. Consumers are suitably empowered and protected from harm, with enhanced protections for the vulnerable.	Sustainable, carbon-free energy and associated infrastructure at least cost to consumers (and taxpayers). Consumers are supported to make greener choices and are fairly rewarded for their contributions to the system.	Consumers have a secure supply and trust that industry participants are resilient to market shocks. The sector attracts sufficient long-term investment to deliver consumer interests.
Sub-objective	Prevent excessive profits	Accessible and responsive	Enable infrastructure and markets required for net zero transition	Maintain security of supply
Sub-objective	Achieve cost efficiency	Transparent and enables choice	Minimise net cost of transition	Robustness to market developments and external shocks

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Sub-objective	Protect consumer welfare	Enhanced protections for the vulnerable	Apply innovative solutions to support and protect consumers	Ensure the sector is investable
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The Electricity Act 1989 and Gas Act 1986 define our principal objective - to protect the interests of existing and future consumers. In determining what the interests of consumers are as a whole, Ofgem must include their interest in the Secretary of State (and the government) meeting the net zero 2050 target and interim 5-yearly Carbon Budgets, in accordance with the Climate Change Act 2008. In practice, we must consider, alongside our other duties and obligations, whether our decisions make it more or less likely that the Secretary of State will meet their commitment to net zero by 2050. Industry codes have an important role to play in achieving net zero and there are many references to net zero in this SDS.

Ofgem's growth duty requires us to have regard to the promotion of sustainable economic growth through our regulatory activities. Our primary contribution to economic growth is through regulation that minimises energy costs, keeps supply resilient and energy markets functioning effectively as well as enabling investment in networks and other infrastructure.

Appendix 2: Roles and Responsibilities for preparing and publishing the SDS

This appendix sets out the roles and responsibilities for preparing and publishing the SDS. Please see section ‘Roles and responsibilities in implementing SDS-2’ for further information about the roles and responsibilities for implementing the SDS.

Code managers, code administrators, CSDBs, code panels and parties

Code managers, code administrators, CSDBs, code panels and parties have an opportunity to respond to the SDS consultation and engage with the SDS process when there are opportunities to do so.

Government

Government is responsible for setting the policy and regulatory framework for the energy sector in GB. DESNZ is the sponsor department for Ofgem and has a role in sharing relevant government policy with Ofgem to inform the SDS. Government’s Strategy and Policy Statement (SPS), which sets out, amongst other things, “the strategic priorities, and other main considerations, of His Majesty’s government in formulating its energy policy for Great Britain”, is a key input for the SDS.

The current SPS is the government’s published formulation of its priorities for the energy sector. We have worked closely with government to ensure we have considered latest policy developments and priorities during the development of this SDS.

Ofgem

Ofgem is responsible for preparing and publishing an SDS that meets legislative requirements. This obligation will gradually come into full effect following the designation of industry codes. As part of this obligation, Ofgem has a role in engaging stakeholders during the SDS process.

NESO

The NESO has an opportunity to provide advice to Ofgem during development of the SDS. This advice should relate to government policy and developments relating to the energy sector that will or may require the making of code modifications.

Appendix 3: Colour coding

Identifying which codes require change

Sections 2-4 set out the policy areas that will or may require changes to industry codes. Not all of these policy areas will require changes to every industry code. Colour coding has been used to help identify which industry codes are likely to be affected by policy change, see key below.

Where a code has been identified as relevant to an objective it means that we think bodies with a responsibility or interest in that code should be aware of this policy work and the possibility of code changes. Colour coding does not indicate that code changes are definitely required to the specified code. Further detail on the nature of possible changes is explained in the text beneath each objective.

In some instances, where the policy is currently under development, we cannot ascertain yet which codes may be affected by such policies. In such instances, we have included the policy area for the awareness of all concerned parties.

The codes relevant to the policy areas set out in the SDS have been identified based on our analysis of the information available to us and assessment at this point. We acknowledge the expertise of industry in helping to identify the relevant codes and note that as code modification proposals are developed, there may be further clarity on which codes are affected.

Colour coding key

Content is relevant to the following code	Colour coding
All codes	ALL
Balancing and Settlement Code	BSC
Connection and Use of System Code	CUSC
Distribution Code	D-CODE
Distribution Connection and Use of System Agreement	DCUSA
Grid Code	GRID CODE
Independent Gas Transporters' Uniform Network Code	IGT-UNC
Retail Energy Code	REC
Smart Energy Code	SEC
Security and Quality of Supply Standard	SQSS

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System Operator Transmission Owner Code	STC
Uniform Network Code	UNC
Unknown <i>Where this label appears, it is not yet known which codes will be affected. Where this label appears alongside other codes, it means we expect that other codes may be affected but do not know which.</i>	Unknown

We expect this list of codes, as well as the policy areas that are likely to affect them, to be updated in each subsequent SDS, taking account of code consolidation planned for future phases of energy code reform.

Appendix 4: The Multiyear Strategy and Strategy and Policy Statement

Ofgem's Multiyear Strategy (MYS)

The government, through the SPS, sets the strategic priorities, and other main considerations, of the government in formulating its energy policy for Great Britain. The MYS was developed alongside and has regard to the SPS and sets Ofgem's strategic direction across our organisational and regulatory responsibilities. Ofgem's regulatory strategic priorities are:

- **Shaping a retail market that works for consumers:** ensure fair prices, ensure high quality of service, enable competition and investability through financial resilience, support new and evolving markets.
- **Enabling infrastructure for net zero at pace:** progress strategic planning, expand electricity networks, prepare for the future of natural gas, facilitate deployment of low carbon technology, network performance and connections, ensure secure and resilient supplies.
- **Establishing an efficient, fair and flexible energy system:** ensure the right governance and institutions are in place, deliver effective and efficient market incentives and signals, enable consumer-focused flexibility, make a more digital system work for consumers.

Strategy and Policy Statement (SPS)

The SPS is developed in accordance with the Energy Act 2013 and sets out government's strategic priorities, desired policy outcomes and the roles and responsibilities for policy implementation.

The SPS does not introduce new roles or duties for Ofgem or other bodies in the sector, it is comprised of existing government policy, commitments and targets and it does not replace or override Ofgem's principal objective or other duties.

The SPS sets out strategic priorities and policy outcomes across three key areas:

- **Enabling Clean Energy and Net Zero Infrastructure:** through promoting renewable energy, infrastructure development, and improved innovation and technology.
- **Ensuring Energy Security and Protecting Consumers:** ensuring reliable and resilient energy supplies, safeguarding consumers from high energy costs, and promoting competition and efficient energy markets.
- **Ensuring the Energy System is Fit for the Future:** modernising the energy system through integrating new technologies, streamlining regulation, and ensuring the system supports long-term environmental and economic sustainability.

Appendix 5: Glossary

Acronyms	Definition
BM	Balancing Mechanism
BSC	Balancing and Settlement Code
BSUoS	Balancing Services Use of System
CACoP	Code Administration Code of Practice
CARR	Cost Allocation and Recovery Review
CATO	Competitively Appointed Transmission Owner
CC	Consumer Consent
CCC	Climate Change Committee
CCS	Carbon Capture and Storage
CCSG	Cross-code Steering Group
CDSP	Central Data Service Provider
CfD	Contract for Difference
CfI	Call for Input
CIF	Consumer Interest Framework, this framework identifies four pillars of consumer interest and is used to ensure that we are clear what our duty to protect consumers means in practice, and to help us identify trade-offs between different consumer interests.
CLF	Consumer-led Flexibility
CMA	Competition and Markets Authority
CMP	Code Modification Proposal
CoP	Code of Practice
CoT	Change of Tenancy
CP2030	Clean Power 2030, the government ambition and plan for Great Britain to be supplied with clean power by 2030.

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CSDBs	Central System Delivery Bodies
CSNP	Centralised Strategic Network Plan
CUSC	Connection and Use of System Code
DAP	Debt Assignment Protocol
DBP	Data Best Practice
DCUSA	Distribution Connection and Use of System Agreement
DESNZ	Department for Energy Security and Net Zero
DNO	Distribution Network Operator
DSI	Data Sharing Infrastructure
DUoS	Distribution Use of System
EC	Early Competition
ECC	European Connection Conditions
EDD	Expected Decision Date
ENA	Energy Networks Association
ENC	Energy Networks Commissioner
ESA	Energy Smart Appliance
ESQCR	Electricity Safety, Quality and Continuity Regulations 2002
EU	European Union
EV	Electric vehicle
Financial year	The financial, or fiscal, year running from 1st April every year to 31st March in the following year.
FMAR	Flexibility Market Asset Registration
FRCR	Frequency Risk and Control Report
FSO	Future System Operator. Named in the Energy Act 2023 as Independent System Operator and Planner (ISOP). In 2024

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it was announced that the FSO would be named National Energy System Operator (NESO)

GBE	Great British Energy
GCDF	Grid Code Development Forum
GEMA	Gas and Electricity Markets Authority
GDN	Gas Distribution Network
GSO	Gas Shipper Obligation
GSoP	Guaranteed Standards of Performance
GSP	Grid Supply Point
GVAR	Gigavolt-Ampere Reactive
HPBM	Hydrogen Production Business Model
HSBM	Hydrogen Storage Business Model
HTBM	Hydrogen Transport Business Model
IEM	Internal Electricity Market
IGT-UNC	Independent Gas Transporters Uniform Network Code
KPI	Key Performance Indicator
LCCC	Low Carbon Contracts Company
LCT	Low Carbon Technology
LDES	Long Duration Electricity Storage
LNG	Liquefied Natural Gas
LPP	Local Power Plan
MEM	Metering Equipment Managers
MHHS	Market-wide Half-Hourly Settlement
MPI	Multi-Purpose Interconnectors (MPI) are interconnectors with a connected offshore wind farm within GB waters

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NCSC	National Cyber Security Centre
NESO	National Energy System Operator (the working name was previously Future System Operator (FSO))
NISTA	National Infrastructure and System Transformation Authority
NSI	Non-Standard Interconnectors (NSIs) are interconnectors with a connected offshore wind farm in the connecting country's waters only
NTS	National Transmission System
OFTO	Offshore Transmission Owner
OHA	Offshore Hybrid Asset, a novel type of asset that combines traditional point-to-point interconnectors with the transmission of electricity from offshore wind generation into one asset
PACT	Predictable, Agile, Collaborative, and Technology-enabled
PIA	Planning and Infrastructure Act 2025
PPM	Prepayment Meters
PSR	Priority Services Register
PV	Photovoltaic
REC	Retail Energy Code
RECCo	Retail Energy Code Company, the code manager of the Retail Energy Code, responsible for maintaining and developing the Retail Energy Code
REMA	Review of Electricity Markets Arrangements
RESP	Regional Energy Strategic Plans
RIIO	Revenue = Incentives + Innovation + Outputs
RNP	Reformed National Pricing

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SAF	Stakeholder Advisory Forum, a proposed body (or bodies) consisting of a range of stakeholders which will provide expert assessment of modifications to the code manager
SDR	Smart Data Repository
SEC	Smart Energy Code
SCR	Significant Code Review, a way for Ofgem to influence the existing end-to-end code change process to modify industry codes
SDS	Strategic Direction Statement means a statement prepared and published by GEMA that sets out a strategic direction for energy industry codes and contains a strategic assessment of government policies and developments relating to the energy sector, that the GEMA considers will or may require the making of modifications to energy industry codes. In this document, references to ‘SDS’ shall be taken to mean one or more of the following (as the context requires and having regard to the applicable SDS in force at the relevant point in time), (i) any preliminary Strategic Direction Statement (being a Strategic Direction Statement that addresses industry codes that have not yet been designated by the Secretary of State pursuant to section 182 of the Energy Act 2023); and (ii) a formal Strategic Direction Statement (being a Strategic Direction Statement that addresses industry codes that have been designated by the Secretary of State pursuant to section 182 of the Energy Act 2023; and (iii) a hybrid Strategic Direction Statement being a Strategic Direction Statement that addresses both designated and non-designated industry codes.
SECCo	Smart Energy Code Company Ltd
SIP	Safe Isolation Provider
SLC	Standard Licence Condition
SLES	Smart Local Energy System
SMCL	Smart Meter Communication Licence

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SMEDR	Smart Meter Energy Data Repository
SPS	Strategy and Policy Statement, a document designated by the Secretary of State under the Energy Act 2013 (after parliamentary approval), which sets out the strategic priorities and policy outcomes for the government's energy policy
SQSS	Security and Quality of Supply Standard
SSEP	Strategic Spatial Energy Plan
SSES	Smart Secure Electricity Systems
STC	System Operator- Transmission Owner Code
TNUoS	Transmission Network Use of System
TO	Transmission Owner
TPI	Third Party Intermediaries are organisations or individuals that give energy related advice, aimed at helping customers to buy energy and/or manage energy needs. TPIs include switching sites, energy brokers, energy consultants, and any company that offers support with energy procurement
TRS	Tender Revenue Stream
UNC	Uniform Network Code