

Ofgem/BEIS Consultation: reforming energy industry codes

1. Do you agree with our four desired outcomes for the code governance landscape by the mid-2020s? Yes/No/Don't know. Please explain.

If you disagree, please explain what you consider the outcomes should be.

We agree with the desired outcomes detailed within the consultation.

2. Do you agree with the problems we have identified (in chapter 1 – Background – and in later chapters), and that they present a persuasive case for reform of the current framework for energy codes? Yes/No/Don't know. Please explain.

Yes we agree with the problems identified. Currently there is a lack of coordination and fragmentation due to the large number of code panels and bodies involved with change. The codes can be slow to implement change and in a time of rapid change that is not desirable. The energy industry is a complex one and that necessarily implies it will be to some extent resource intensive in terms of network codes. The key would seem to be to try and break this down into simpler guides whilst at the same time preserving rules that need to be adhered to ensure security of supply. There is a lack of incentive for proactive change, with most changes happening reactively.

3. Do you have additional evidence on the performance of the current framework?

We have experienced difficulties with cross code coordination with a change that we believe is required under both the MRA and the SEC. We originally raised a MIF for the issues we are experiencing around the D0350 flow and spent considerable time and resource compiling the details, only for it then to be raised via the SEC by another party. Although we agreed to let the supplier lead the change through the SEC with us picking up the MRA change when required, it caused a delay whilst similar efforts were put in to the raising of the SEC Modification.

4. Do you agree with our proposed scope reform? Yes/No/Don't know. Please explain. If not, which additional codes or systems do you think should be included/excluded?

We agree with the proposed scope of reform detailed in the consultation.

5. Are there any codes or systems that we should only apply a limited set of reforms to? Yes/No/Don't know. Please explain.

We believe that all the codes detailed should be subject to a full reform to ensure a consistent approach.

6. Do you agree that the four areas for reform are required? Please provide reasons for your position and evidence where possible.

With regards to strategic direction we agree that this is an area for reform to ensure that the regulatory framework is forward looking and informed by the Government's vision.

Empowered and accountable code management and independent decision making are areas that we feel will need to be considered carefully. In terms of independent decision making, there seems to be nothing wrong with decision making being with industry and the experts and knowledge that contains. Energy is an essential industry and it needs to robustly implement Government policy. We support independent views to encourage forward thinking however, we feel that current expertise needs to be maintained.

Code simplification and consolidation we believe is an area that would benefit from reform, however we feel that this is an extremely complex area that will need to be managed very carefully.

7. Do you agree with the two broad models outlined? Please provide reasons for your position and evidence where possible. – further detail can be found on each model in the chapters that follow.

Yes we agree with the two models outlined within the consultation.

8. Which model do you believe will best deliver on our desired outcomes? Please explain. NB: – further detail can be found on each model in the chapters that follow.

We believe that Model 1 will best deliver the desired outcomes. We believe that having two completely separate organisations will ensure that roles can be clearly defined and will guarantee there is no conflict of interest. We also feel that this Model closely follows what is currently being proposed under the REC.

9. Do you agree with the changes to the role of code signatories we are proposing?

As long as Government energy policy is being implemented efficiently, then the changes seem reasonable. However, we do have concerns that the Strategic Body or Code Manager, the key decision makers, will need to be sufficiently well resourced in terms of industry experts and any element of independence that is required.

10. Do you agree there is a missing strategic function for codes development in the energy sector and introducing a strategic function with the responsibilities outlined in chapter 3 is the best way to address the lack of strategic direction? Yes/No/Don't know. Please explain.

Who is best placed to fulfil the strategic function and why?

We agree that there needs to be a clearer strategic function for code development. We feel that a new independent body would be best placed to fulfil this role. It would ensure a fresh outlook and improved coordination across the codes.

11. Do you agree with the objectives and responsibilities envisaged for the strategic function, and are there any additional objectives or responsibilities the strategic function should have?

We agree with the objectives and responsibilities outlined within the consultation.

12. How may this new function potentially impact the roles and responsibilities of other parts of the framework? Do you foresee any unintended consequences?

We cannot see any unintended consequences at this stage, however we will need to be mindful of this as the details around the roles progress and develop.

13. What are your views on how the strategic direction should be developed and implemented (including the option of establishing a strategy board to aid engagement)?

We feel that strategic direction needs to be clear and open with input from the appropriate parties. There needs to be consideration of a 2 year, 10 year and 20 year plan as these will all vary. We feel that this is the role of the Strategic Function and therefore would expect that we are only consulted upon when wider industry views are required.

14. Do you think that the scope of the strategic function should be limited to taking account of the Government's vision for the energy sector and translating it into a plan for the industry codes framework, or are there other areas it should address? (for example, impact on vulnerable consumers)? Yes/No/Don't know. Please explain.

We think that the strategic function should take account of the Government's vision whilst also considering industry views where appropriate. We believe that the function should maintain a holistic and complete view of the industry when considering plans.

15. Do you agree that in addition to the current responsibilities that code administrators have, that a. the code manager function should also have the following responsibilities: a. identifying, proposing and developing changes (analysis, legal drafting etc.), including understanding the impacts; b. making decisions on some changes, or making recommendations to the strategic body; and c. prioritising which changes are progressed.

Yes/No/Don't know. Please explain.

We agree with the idea of extending the Code Manager role as long as the required level of knowledge and skills are in place. We would seek further clarification on exactly how these powers would work as we would be wary of the Code Manager being able to raise, develop and approve their own changes, especially if they were to be System Managers as well.

16. What is the best way to ensure coherent end-to-end changes to the codes and related systems? For example, is it through having end-to-end code and system managers?

We believe, based on past experiences, that to ensure a coherent end-to-end change process the Code Manager should have the responsibility of monitoring all changes. We feel that the Code Manager and System Manager should be completely separate but work closely together to make sure that all changes are carefully considered and progressed, whilst the Code Manager is also responsible for communications with all necessary parties throughout the process.

17. Should the approach differ on a case-by case basis (i.e. depending on the code or system in question)? Yes/No/Don't know. Please explain.

To ensure consistency and avoid unnecessary complications we feel that all changes should be handled in the same way.

18. Do you agree that the code manager function should be accountable to the strategic body and that this should be via a licence or contract? Yes/No/Don't know. Please explain.

We agree that the Code Manager should be accountable to the Strategic Body if Model 1 is chosen. We believe that a contract is the best method for this as we feel that not all members of the Code Manager will be licensees. The process and the Code Manager should be auditable.

Please note questions 19- 26 only apply in respect of Model 1 (code manager function and a strategic body).

19. Are there more effective ways that a code manager function's accountability to the strategic body could be enshrined other than in a licence or contract? Please explain.

We believe that the accountability and relationship should be formalised and auditable.

20. Do you agree that we should not consider further a model whereby code managers are accountable to industry? Yes/No/Don't know. Please explain.

We believe that the Code Manager should be accountable to the Strategic Function to ensure that Government's plans are managed. We assume that there will be appropriate industry input where it is required.

21. Do you have views on whether the code manager function should be appointed following a competitive tender process or other competition? Yes/No/Don't know. Please explain.

Yes we believe that the Code Manager should be appointed following a competitive and transparent process.

22. Do you think the code manager function should be established by the strategic body creating a body or bodies? Yes/No/Don't know. Please explain. If the code managers were

established in this way, would we need to consider any alternative approaches to funding or accountability? Yes/No/Don't know. Please explain.

As this question relates to Model 1 we believe that the Strategic Body should be responsible for establishing the Code Manager function.

23. In terms of establishing/choosing the code manager function, do you agree that we should not consider further: a. requiring an existing licensee to become the code manager; and/or b. requiring a licensee (or group of licensees) to create the code manager?

Yes/No/Don't know. Please explain.

We believe that this should be a decision for the Strategic Function when establishing the Code Manager function. At this time we do not feel that any options should be excluded.

24. What would be the most effective way to ensure the code manager function offers value for money (for example, through price controls or budget scrutiny)? More broadly, what is the right incentive framework to place on the code manager function? Please explain.

If the Code Manager is accountable to the Strategic Body then we feel it would be for the Strategic Body to challenge the Code Manager's budget and spending. We would expect there to be consideration of budgets versus outcomes with ongoing scrutiny, possibly with an external company employed for this purpose.

25. Are there any factors that: a. would stop parties (including code administrators) from becoming a code manager b. should prevent parties from becoming a code manager (e.g. do you agree that licensees should not be able to exercise control of the code managers).

We believe that anyone should be able to become a Code Manager, subject to them being able to fulfil the requirements and not have a bias opinion to one type of party. They would need to consider the industry as a whole.

26. How should the code manager function be funded (for example through licence fees or by parties to the code(s)?

We believe that the Code Manage function should be funded by Parties to the code.

5 Code simplification & consolidation

27. Are there any quick wins that could be realised in terms of code consolidation and simplification?

We believe that the code consolidation and simplification is too complex for anything to be realised quickly. The process needs to be managed carefully with thought and consideration throughout.

28. How many codes would best deliver on the outcomes we are seeking under these reforms?

We believe that the fewer codes there are the better, however the energy industry is too complex for a unified single code to be an appropriate option at this time. We feel that there will need to be some consolidation and therefore would consider Option B or Option C more suitable.

29. Which option (one code manager versus multiple) would best deliver on the outcomes we are seeking under these reforms?

We believe that one Code Manager is the best option to ensure a whole market view. It will be easier for industry as they will only need to engage with one Code Manager and it will ensure consistency. To have multiple Code Managers would mean that there is still fragmentation.

30. Which of our consolidation options would best deliver the outcomes we are seeking to achieve? Please provide evidence for your examples.

We believe that this question is the same as question 28.

31. Do you agree that the codes should be digitalised? Yes/No/Don't know. Please explain.

We agree that the codes should be digitalised as it will make them easier to navigate. It would also ensure visibility of areas that impact each other and will make searching for specific topics easier.

32. What role should industry have in monitoring code compliance or making decisions on measures needed to address any identified non-compliance?

We feel that the Code Manager should be responsible for monitoring code compliance and making decisions on measures to address non-compliance with the aid of an independent performance assurance body. Depending on the function of the Strategic Body it may be appropriate for these reports and details to be sent to them, if not an alternative higher body. We also feel that industry should be able to raise concerns over non-compliance with the Code Manager.

33. Which of the two models we propose would better facilitate effective monitoring and compliance arrangements? Please explain.

Our preferred option of Model 1 would be better to facilitate effective monitoring and compliance as the Code Manager can be given specific requirements and instructions within their role.

34. With Model 2 - integrated rule-making body - should the IRMB have responsibility for imposing measures (where a party is non-compliant with the code) or should this be for another organisation? Please explain.

Please note this question only applies in respect of Model 2 (integrated rule-making body).

We believe that the Code Manager function should be responsible for the monitoring of compliance and imposing measures, regardless of whether this is a separate organisation or within an IRMB.