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Dear Sirs

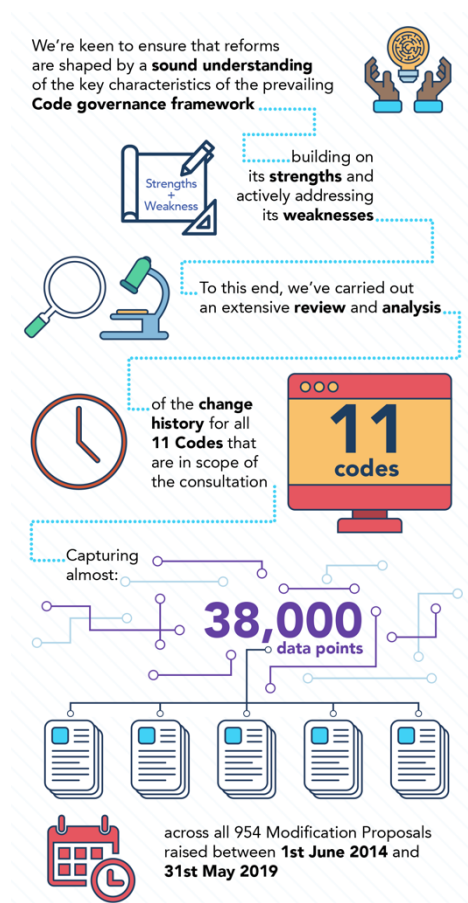
## REFORMING THE ENERGY INDUSTRY CODES

Thank you for the opportunity to contribute to this important debate about a key aspect of the effective operation of the GB energy industry. As a service provider to Code parties, without formal responsibilities of our own for Code governance, we believe that we are well placed to provide insight to the challenges that exist and to the remedies that we consider would deliver benefits to the market.

### 1. Our Research Approach

We are keen to ensure that reforms are shaped by a sound understanding of the key characteristics of the prevailing Code governance framework, building on its strengths and actively addressing its weaknesses. To this end, we have carried out an extensive review and analysis of the change history for all 11 Codes that are in scope of the consultation. We've created a unique and valuable product for the industry in the form of a database that captures almost 38,000 data points across all 954 Modification Proposals raised between 1st June 2014 and 31st May 2019, and we have built a team with knowledge and expertise that spans the whole family of Codes and their governance processes.

We believe that our database has the potential to provide a solid foundation for further analytical insight into a wide range of Code governance matters, both within and between individual Codes and across different parts or all of the Code landscape.



The key findings from our research centre around the interaction between Codes and how this may impact code consolidation. Other research themes and findings are discussed in Annex 1, and we have answered the individual consultation questions in Annex 2.

We would be very happy to meet with you to discuss our work in more detail and to explore how BEIS and Ofgem might utilise both our research and data to help shape Energy Codes Reform proposals.

## 2. Our Key Findings

Of all Modifications raised, we found only 14% (134) **clearly** identified 148 occurrences of interaction with one or more other Codes. Most interactions (106 of 148) are contained within either the family of gas Codes or the family of electricity Codes.

We were surprised at the low level of cross-market, dual-fuel interactions between Codes and this prompted us to perform a second wave of analysis, using fuzzy-matching techniques, to identify **unclear** interactions between codes. Whilst this approach identified some additional interactions between electricity Codes, it did not change the pattern or significantly increase the instances of dual-fuel interactions.

Where there were cross-market, dual-fuel interactions, the large majority of occurrences (37 of 42) were concerned with ensuring alignment of supplier process solutions across the Supply Point Administration Agreement, the Master Registration Agreement, and the Distribution Connection and Use of System Agreement. Planned development of the Retail Energy Code will cause these occurrences to fall away in the future.

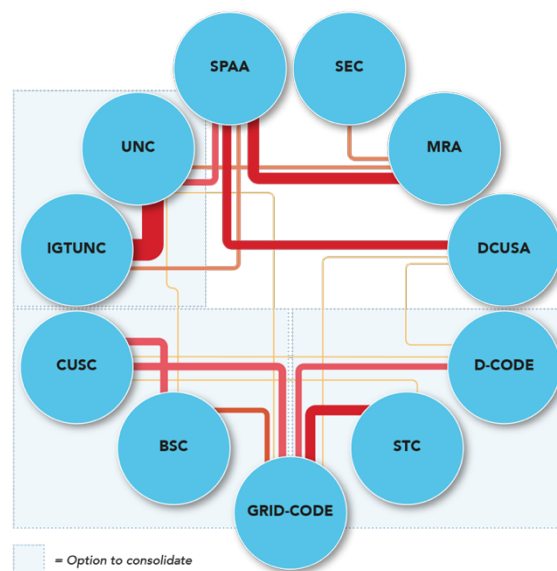


Figure 2

Figure 2 uses the data we collected to highlight the strength of interaction between codes, with the thickness of the lines indicating higher levels of interaction. This suggests that in addition to Retail Energy Code consolidation work already underway, the next strongest candidates for consolidation are between UNC and igtUNC in gas; and between CUSC, BSC, GRID-CODE, STC and D-CODE in electricity.

We conclude that, outside of a dual-fuel Retail Energy Code, ***there is no case for cross-market Code consolidation and that the focus should be on vertical integration within the two energy markets.***

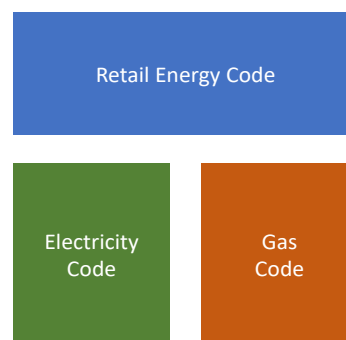


Figure 3

This is consistent with Code consolidation Option C as described on Page 40 of the consultation document and delivers a significantly simplified Code landscape.

### 3. Code Managers

We propose that there should be one Code Manager for each of the Codes outlined in Figure 3 and that their strategic direction be set by an independent Strategic Body (Model 1).

Our research suggests that the consolidation path we have laid out, will reduce the number of cross-Code changes to a rare event. Where a future major reform has a cross-Code impact, especially including the complexity of cross-Code system changes, we recommend that the Strategic Body appoints an 'integration provider' for the specific purpose of managing that particular cross-Code change. Based on our research, we do not foresee such events being frequent enough, or common enough in scope, to justify retaining such a capability at a cost to the consumer, on a persistent basis.

Where there are smaller scale cross-Code impacts without the complexity of multiple system changes, we think that it would be sufficient for one of the Code Managers to be nominated to lead on Code alignment, with all impacted Code Managers following a common change impact framework in support of this leadership.

We believe that Code Performance Assurance should be tightly aligned to Code Management. However, we agree there is merit in this being performed by a separate organisation or committee, to ensure appropriate levels of objectivity and focus. Nevertheless, the Code Manager must be closely aligned to ensure that performance drivers are effectively considered and measurable-by-design, in the evolution of the Codes.

We have also identified the need for an industry ***Design Authority***, to ensure the alignment of processes, new technology adoption and system architecture roadmaps across the industry. Today, this role does not exist, and this has led to a proliferation of approaches across Codes, and within Codes. This has led to poor and inconsistent customer experiences, and increased costs through additional unnecessary complexity and lack of reuse. We recommend lightweight Design Authority leadership be part of the Strategic Body, and then be supported at greater depth by each Code Manager, each following the same repeatable framework.

### 4. Code Management and Code Delivery

Code Management and Code Delivery functions should be distinct, as they serve distinct purposes, require different expertise, and have different operating and contracting models. Code Delivery should however be rigorously contracted to Code Managers to ensure that Code Delivery is directly aligned to strategic and consumer outcomes.

Code Managers are the custodians of the Code documents that define energy market rules. Whilst we see Code Managers using technology to become increasingly digital and automated, Code Delivery at scale is a very different discipline. Code Delivery bodies must ensure the development, implementation and operation of increasingly advanced, integrated, real-time technology and data management solutions. High availability solutions are vital to the effective operation of the energy market and Code Parties rely on them to discharge their market obligations. For this reason, being able to hold Code Delivery bodies to account for their level of service, with the right to step-in in extreme situations, is essential.

Where Code Administration and Code Delivery are currently positioned with a single organisation, the Code Delivery function is in reality already largely separated, with much of the activity being contracted out to specialist delivery partners. Code Delivery should be competitively procured, ensuring full access to technology innovators and necessary expertise, naturally incentivising the continuous improvement of service levels through competition.

In the case of the gas market, Code Administration and Code Delivery are separate accountabilities positioned with the Joint Office and Xoserve respectively. Governance of Code Delivery, operated by Xoserve as the gas industry Central Data Services Provider (CDSP), was the subject of an extensive regulatory review that concluded in 2017. At the time, Ofgem supported a customer centric service delivery model, with the Code Administration function being kept at arms' length. As the Code Management function becomes more clearly defined through this consultation process and subsequent proposals, it will be right to keep under review the exact positioning of responsibilities between Code Managers and Code Delivery bodies; and to actively consider the realignment of these to fit the future Code governance framework.

## **5. Conclusion**

We hope that you find our research and insights useful. We have created a unique and valuable product for the industry that has significant potential for the future and have enhanced our knowledge of Code change way beyond our normal sphere of operation. We would be very happy to meet with you to share more details of our work, and to explore how we can help you in shaping a Code governance framework that will deliver real and tangible benefits to both Code parties and end consumers.

We are happy for you to publish this response in full on the BEIS and Ofgem websites.

Yours sincerely

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## **Annex 1 – Other Research Themes and Findings**

### Lack of Transparency

1. The prevailing Code governance framework lacks transparency. This makes it difficult for Code parties to navigate the Modification lifecycle, to engage with the subject matter of individual Proposals, and to have clear expectations of the timescales for each stage of the process.
2. Modification processes and procedures, documentation and terminology are not standardised across all Codes. This means that Code parties need to have a base level of understanding of and familiarity with industry terminology, processes and acronyms in order to be able to assess the impact of a Modification Proposal on their organisation.
3. In some cases, the recording of Panel decisions is not made prominent in meeting minutes.
4. Code Administrators' websites have wide variations in the signposting, navigability and accessibility of information. Some Code Administrators have provided guidance to users, but even this requires a high degree of familiarity with industry arrangements to be able to use it effectively.

### Time to develop Modification Proposals

1. End to end timescales from the raising of a Modification Proposal through to an Ofgem or Code Panel direction to implement vary widely and are not measured against any predefined norms or standards. The mean period for Modifications to complete their cycle is 8.5 months, and the majority are progressed over a period of between 3 and 12 months. Either side of this range, Modifications have been completed in as short a time period as 8 days, and in as long a time period as 3.5 years.
2. There appears to be a link between the longer timescales and the complexity of the subject matter (indicated by the length of the Final Modification Report), the number of workgroup meetings, the number of consultation stages, and the number of Alternates raised.
3. Categorising Modification Proposals by reference to their originating Code and into 4 groups, differentiated by decision route (Authority Consent / Self-Governance) and urgency (Urgent / Non-Urgent:
  - a. Self-Governance Modifications tend to have shorter timescales than those requiring Authority Consent.
  - b. Urgent Modifications tend to have shorter timescales than Non-Urgent ones.
  - c. Average timescales vary across Codes.

### Modification Drivers

1. We have looked at the relationship between the reasons why Modifications are raised and the time that they take to progress through the Modification lifecycle.
2. We found that 19% (177) were raised as a result of a regulatory policy or legislative change, and development of these took an average of 204 days. This is not significantly faster than the mean development time of 8.5 months.
3. A further 15% (143) were raised following industry discussions or workshops that took place prior to the commencement of the formal Code governance process, and these took an average of 173 days to progress through the Modification lifecycle, faster than those raised as a result of a regulatory policy or legislative change.
4. Of the remainder, 27% (261) are for 'housekeeping matters', typically requiring simple changes to legal text. These do not normally follow a complex development path, but the time taken to complete varies between Codes, dependent on the availability of a 'fast track' process and the identity of the Proposer. We've not been able to get full clarity of the availability and use of 'fast track' and 'self-governance' processes across all the Codes, although our research suggests that:
  - a. The 'fast track' process is not available or not utilised in some Codes,
  - b. Modifications for 'housekeeping matters' raised by Code Administrators tend to progress more rapidly than those raised by Code parties.

### Completion of Modifications

1. Where Modifications complete development and are subsequently referred by Code Panels to Ofgem for decision, there is a good degree of correlation (85% (223 of 263 Modifications)) between the Panel recommendation and Ofgem's direction. However, there are 15% (40 Modifications) where Panel recommendations and Ofgem decisions diverge.
2. The most common divergence scenario (27 of 40 Modifications) was a Panel recommendation for implementation but rejection of the Proposal by Ofgem.
3. The most common reason for divergence was a difference of opinion regarding satisfaction of the relevant Code Objectives.
4. Where workgroup attendance information has been available, we have found that where Ofgem attended at least one workgroup meeting for 24 of the 40 Modifications, 83% of the Proposals were subsequently rejected.
5. Not all Modification Proposals complete their development cycle: 9% of all Modification Proposals have been withdrawn by the Proposer during their development.

#### Code parties' participation

1. Across all Codes, Modification Proposals are most commonly raised by Supplier / Shipper organisations (39%) and by Network businesses (including the TO/SO functions) (32%).
2. Workgroup participation is most prevalent amongst the 'Big 6' Supplier / Shipper organisations, who have attended an average of 51% of all Workgroup meetings.

## **Annex 2 – Responses to Detailed Questions**

### **Background and scope of this review**

#### ***1. Do you agree with our four desired outcomes for the code governance landscape by the mid-2020s?***

**Answer:** Yes, we wholly agree with the four desired outcomes and the timeframe to achieve them. However, our research suggests that there should be a fifth outcome, which is that the Energy Codes framework should be able to demonstrate (and annually report on) the value that has been created for consumers through its activity.

We draw this conclusion from our research into 954 Code Modifications raised across 11 Codes, spanning a five-year period, where we identified that consumer benefits were rarely considered and virtually never quantified or documented. We observed more generally a lack of any documented business case for the vast majority of Code Modifications.

#### ***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?***

**Answer:** Yes, we agree with the problems identified and that they present a persuasive case for reform of the current framework for Energy Codes. In addition, our research identified the following additional problems that any reform should seek to address:

- There is no single party with accountability for ensuring that Code change is a value for money process that works for the benefit of end consumers.
- There is no common ‘best practice’ process across the industry for the management of Code change, nor any standards against which the progress of Modification Proposals can be measured.
- Whilst the Code governance framework necessarily provides for self-governance and urgent procedures to be applied when and where appropriate, Modification Proposals are not prioritised according to their drivers.
- Modifications withdrawn during development are a drain on industry resources.
- There is no common or centralised process for the management of interaction between Codes both administratively and in terms of technology change.
- The raising of Modification Proposals and participation in Workgroups are activities undertaken primarily by the larger organisations in the energy industry and any reform must create equality of engagement.

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

**Answer:** Yes, we have analysed 954 Code Modifications raised across 11 Codes, spanning a five-year period and creating an enduring database of nearly 38,000 data points. We have conducted



our own research to identify themes in the data, which we have outlined in our covering letter and in Annex 1. This database is available to BEIS and Ofgem to conduct further analysis, with our support as required; but we believe it to be valuable evidence base to support future reform work.

**4. *Do you agree with our proposed scope reform?***

**Answer:** Yes, the correct scope has been identified for this reform work.

**5. *Are there any codes or systems that we should only apply a limited set of reforms to?***

**Answer:** We are not aware of any reason why the reform should not apply equally to all existing codes and the Retail Energy Code. We also draw your attention to the comments in our covering letter about bringing the delivery of central systems into the scope of Code Managers' accountabilities and the Code governance framework.

**Vision and Options**

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

**Answer:** We agree with the four areas for reform identified by BEIS and Ofgem. Any market, company or team that operates without a shared, clear, upfront, strategy will act in a disjointed way, which is likely to lead to rework, waste and fragmentation. However, energy consumers already fund a significant number of governance boards, bodies and companies beyond the retailer from whom they buy their gas and electricity. It is hard to see the justification for creating a new Strategic Body which will add to the consumer cost base, rather than make clearer the accountabilities of bodies which already exist. We support the idea that Ofgem becomes the Strategic Body and that it is resourced to perform this function appropriately going forward, given it has no other operational or Licence responsibility for adhering to Codes which could bias its decision making.

We agree that empowerment of Code Managers to enact the Strategic Direction is essential. Our own research has shown that only a sub-set of the industry participates in Code governance activities; that existing Code governance does not rigorously consider the business case for consumers, and that governance activities place an expensive burden on industry participants. We also hear anecdotally from our customers, that resource capacity to engage in the currently complex and fragmented governance arrangements in place today, may not be available going forward, which could further narrow the diversity of participation in decision making.

Our research highlights the importance of clear, common and measurable standards for Code Managers and Code Management processes. Today's Code Administrators operate completely differently and to varying quality standards. Simplification should be a measurable target that Code Managers need to meet, in terms of not only cleaning up legacy issues, but also to ensure that Codes do not become complex again in the future.

We have considered in our covering letter the benefits of Code consolidation and the evidence for the form of consolidation that we think would be most beneficial.

- 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.**

**Answer:** We support the models described as being helpful discrete choices; however, neither model makes clear how many Code Managers there should be and why. We think this is an important question for any future consultation to consider.

To support this question, we have analysed 954 Code Modifications raised across 11 Codes spanning a five-year period to understand where consolidation of Codes – and therefore Code Managers – would be beneficial, and have outlined an evidence-based proposal in our covering letter.

- 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.**

**Answer:** We support Model 1 and have provided a rationale in our answer to question 6 for why we believe that the Strategic Body should be Ofgem.

Model 1 offers greater flexibility over Model 2 as and when decisions are being made about the consolidation of Codes and / or Code Management functions. It is better suited to enabling competition amongst Code Managers and therefore driving up the quality of service to Code parties.

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

**Answer:** Yes, we agree with the decision-making matrix.

#### **Providing strategic direction**

- 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?**

**Answer:** Yes, we have provided a rationale for answer in our response to questions 6 and 7.

- 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?**

**Answer:** Yes, we broadly agree with the objectives and responsibilities envisaged for the strategic function. We would, however, highlight the need for greater clarity of the different accountabilities of the Strategic Body and the Code Companies (e.g. BSCCo and RECCo). We recommend that it

be made clear through common Terms of Reference and Articles of Association which accountabilities sit with the Strategic Body and which with the Boards of Code Companies. For example, RECCo, after approval by its Board of Directors, is procuring a Code Manager, whilst the final bullet point on page 25 of the consultation suggests that it is the Strategic Body that oversees the appointment of Code Managers. To keep lines of accountability clear and separate, we recommend that the Strategic Body focuses on the frameworks that must be applied and the Code Companies (who appoint Code Managers) implement those frameworks. Put simply, the Strategic Body creates Code Companies, and the Code Companies procure (or hire) Code Managers.

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

**Answer:** It will be impossible to identify all of the consequences upfront and therefore an agile approach of consult, test, learn and adjust should be adopted through this transition. However, an obvious consequence to address early on is how current Code Administrators should behave and plan for the future while it remains uncertain whether they will be subsumed by Code Companies and Code Managers or evolve to become Code Managers themselves.

**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)?**

**Answer:** It is too early to respond effectively to this question and it should be asked again, once it is clear who the Strategic Body will be.

**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.**

**Answer:** It is too early to respond effectively to this question and it should be asked again, once it is clear who the Strategic Body will be.

**Empowered and accountable code management & independent decision making**

**15. Do you agree that in addition to the current responsibilities that code administrators have, that 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.**

**Answer:** Yes, we believe that the Code Manager should have these additional responsibilities, but these should be offset by limited grounds for appeal by Code Parties. In addition, Code Managers should be targeted to deliver high levels of satisfaction across Code Parties, in the same way as companies typically seek to obtain high levels of customer satisfaction from their customers. This should be independently surveyed and be capable of being benchmarked.

**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?**

**Answer:** As discussed in our covering letter, our research suggests that the requirement for true end-to-end management of Code and system changes is extremely rare. Therefore, we do not support the need for enduring end-to-end Code and system managers. However, where the situation does arise then we suggest that the Strategic Body (or possibly the Code Manager where the Modification was first raised) appoints / procures the required Integration Services.

**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.**

**Answer:** Yes, we think it should be decided on a case by case basis, taking into account our answer to question 16.

**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.**

**Answer:** As set out in our covering letter note, we propose more than one Code Manager, and our response to Question 11 highlights the need for a clear distinction between a Code Company and Code Managers. We think that a Code Company should be accountable to the Strategic Body, ideally via licence with common obligations for a Code Company, to provide a transparent and comparable performance and incentive framework. Code Managers should be procured and be accountable to a Code Company by contract, as per the approach being adopted by RECCo for their procurement of a Code Manager.

**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.**

**Answer:** Subject to our response to Question 18 about Code Managers' accountabilities to Code Companies rather than the Strategic Body, we support the use of a contracting model.

**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.**

**Answer:** Our research has shown extremely variable levels of engagement in governance processes and forums from different parts of the market, with smaller players showing almost no signs of day to day participation. Anecdotally, even the larger suppliers are now struggling to

resource the overhead of industry self-governance. Against this backdrop, the model proposed whereby all stakeholders are able to raise Modifications and these are assessed based on a business case of consumer benefit is a sensible one. The provision for engaging advisory and work group panels of industry experts for specialist cases makes sure that where expert stakeholder input is needed this can be drawn on more systematically.

Our views on Code Managers' accountabilities are set out in our response to Question 18. That said, Code Managers can and should be accountable for stakeholder satisfaction and incentivised to work effectively with others, which is a form of accountability to industry which can and should persist in a more rigorous fashion, such as through membership of an independent benchmarking association such as the Institute for Customer Service (ICS).

**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.**

**Answer:** A competitive tender process is well understood and best practice, however, to ensure a level playing field and the optimal retention/access to experience and specialist skills, all industry incumbents performing Code Administration and Code Delivery roles today should be able to bid for Code Manager lots, unencumbered from direct and indirect Licence-based restrictions and other regulatory constraints.

A key dynamic that will need to be addressed is the inclusion of risk and liability-based provisions in tenders and eventual Code Manager Contracts. Ofgem has previously considered this dynamic in its response to Elexon's bid to be the DCC, where guidance for how this could be overcome is clearly laid out and could be adopted by incumbents<sup>1</sup>.

**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.**

**Answer:** Yes, but by necessity, indirectly. We have previously differentiated (see Question 18) between a Code Company which should be established only by the Strategic Body and a Code Manager which should be procured or hired by the Code Company. Funding can be via price control, or via an annual transparent Business Planning process, which is signed off by the Strategic Body and funded on a pass-through basis. The former will offer more certainty and align with other price control periods, which will support longer term aligned strategic planning. The latter will offer more flexibility and annual engagement.

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<sup>1</sup> See <https://www.ofgem.gov.uk/ofgem-publications/61724/elexon-report-finalpdf>.

**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.**

**Answer:** Please refer to our response to Question 22.

**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.**

**Answer:** Please refer to our response to Question 20.

**25. Are there any factors that:**

- c. would stop parties (including code administrators) from becoming a code manager**
- d. 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).**

**Answer:** Please refer to our response to Question 21.

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

**Answer:** Please refer to our response to Question 22.

#### **Code simplification & consolidation**

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

**Answer:** Electricity codes can be easily consolidated where the existing Code Administrator is National Grid ESO or one of its wholly owned subsidiary businesses, because there is no other entity that is part of the corporate ownership.

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

**Answer:** Our covering letter sets out our evidence-based approach to answering this question.

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

**Answer:** Fewer, but multiple, based on identical accountabilities as far as possible, such that they can be benchmarked, and price controlled. Performance will be both absolute, by way of contract SLA's, and comparative.

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

**Answer:** Our covering letter sets out our evidence-based approach to answering this question.

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

**Answer:** We are supportive in principle of moving to a fully digital environment for Code publication, as we think that this will help with ease of accessibility and navigability for users. Code Administrators have already taken some steps to improve their digital service offering, but the industry has yet to take the significant step of digitalising the Codes themselves. Before committing to the investment that this would require, the cost and effort of the transition (e.g flat PDF files to HTML) needs to be weighed against the benefits that this can bring; this could be achieved at least in part by benchmarking against similar services in other industries.

Also, to get good insight to users' service requirements, Code Managers need to ensure they have a good understanding of how Code parties consume content and use digital functionality day to day.

We would be happy for members of our Digital Team to meet with you and Code Administrators to discuss this matter in more depth.

**Monitoring and compliance**

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

**Answer:** The monitoring of Code compliance should sit with the Strategic Body, and may in practice be delegated to Code Managers via Code Companies. There are established industry bodies with responsibility for performance assurance, and we would expect these to continue.

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

**Answer:** We support the use of Model 1. It encourages competition between Code Managers to seek out best practice monitoring and compliance behaviours.

**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).**

**Answer:** Ofgem already has powers with regard to non-compliance and we would expect these to continue to apply.