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Dear Lesley,

## **Reforming the Energy Codes**

Thank you for the opportunity to comment on this consultation on the BEIS/Ofgem review of energy codes. Our networks business, SP Energy Networks is responding separately from its perspective as a network licensee.

Our responses to the consultation questions are in Annex 1. We would highlight the following points:

### The role and rights of code signatories/parties

We do not believe the interests of existing industry code parties, the interests of consumers and other wider government objectives are mutually exclusive. As such, we believe it should be possible to preserve the existing rights and responsibilities of code signatories in the reformed code governance arrangements. Specifically:

- Change proposals – we are pleased the consultation recognises that code signatories should be able to continue to identify, propose and develop change proposals.
- We assume that a potential strategic function would take on Ofgem's responsibility for decision making on change proposals, leaving 'self-governance' changes to be approved by code signatories (via code panels). Code managers should be accountable to both code signatories and a potential strategic function for their respective areas of responsibility: code signatories taking the lead on the code manager's day-to-day activities and the strategic function taking the lead on Strategic Direction matters. We would expect both the strategic function and code signatories to have representation on code manager company boards and on code panels.
- We believe that the code manager function should be run for 'purpose not profit' (Elxon, MRA, SPAA and DCUSA are all examples of the not-for-profit model, generally with a culture of high quality delivery and innovation).

- We welcome the focus on simplification, but would point out that codes generally contain complexity for a reason. For this reason and to avoid misinterpretation, we would characterise the need under two headings:
  - 'Defragment and standardise'. The multiplicity of codes, standards of engagement by code bodies and consequences of under-performance creates an inefficient and fragmented environment which affects competition and ultimately cost to the customer.
  - 'Accessibility'. We recognise that small and new organisations may struggle to engage with industry processes due to the inherent complexities of the market. To mitigate this, we believe there should be a focus on improving 'access' to the various aspects of the market (again there are some good examples of this in both fuels, but more needs to be done).

### Strategic Function

We agree that a strategic function has been effectively lacking from industry code governance - though Ofgem could perhaps have fulfilled this role to a greater extent. That said, we recognise Ofgem's use of its significant code review (SCR) powers to perform the function is *ad hoc* at best, and there may be other resource constraints. Accordingly, we agree it is timely to review the institutional landscape with a view to introducing a newly constituted strategic function. We believe such a body, suitably resourced, would best sit within Ofgem, given that it is most closely aligned with the Authority's statutory duties and objectives.

### Transitional arrangements

Implementing the proposed reforms is a substantial undertaking and will require a material and detailed work programme to achieve this. *Inter alia* the plan should cover:

- the phasing of the consolidation of the industry codes in scope, starting with the Retail Energy Code (REC) as an easy win;
- defined work streams for the simplification and rationalisation of codes;
- efficient programme scheduling to ensure optimal involvement of relevant industry expertise.

If you have any comments or queries on any aspect of this response please do not hesitate to contact me or Haren Thillainathan (hthillainathan@scottishpower.com, tel 0141 614 2007).

Yours sincerely,



**Richard Sweet**  
Head of Regulatory Policy

## REFORMING THE ENERGY CODES – SCOTTISHPOWER RESPONSE

### Chapter 1: Background and scope of this review

- 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.**

Yes, we agree with the four outcomes identified for the code governance landscape, notably an energy code framework that:

1. makes it easier for any market participant to identify the rules that apply to them and understand what they mean; making it easier for new and existing industry parties to innovate to the benefit of energy consumers;
2. is forward-looking, informed by and in line with the Government's ambition and the path to net zero emissions; and ensures that codes develop in a way that benefits existing and future energy consumers;
3. is agile and responsive to change that benefits energy consumers, while able to reflect the commercial interests of different market participants, to the extent that this benefits competition and consumers; and
4. can accommodate a large and growing number of market participants, with effective compliance in an inter-dependent system.

We comment on these outcomes as they apply throughout this consultation. In relation to outcomes 1 and 4 (awareness by new entrants of the codes and their ability to comply with them), achieving these outcomes will be as much down to the licence application process as to the energy code framework. The licence application regulations were amended in May 2019 with an emphasis on ensuring that applicants are fully aware and able to comply with their regulatory obligations, and we would expect Ofgem to include compliance with industry codes in their assessment of new applicants. In relation to supplier insolvencies in the last few years, there is anecdotal evidence of suppliers entering the market unaware of key industry code obligations, and their resulting non-compliance contributing to poor customer experience and ultimately insolvency.

- 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 broadly agree with the identified problems, but it is too simplistic to assume they can be mitigated solely by reforms to the energy code framework:

- **Fragmented and lacks coordination:** There are undoubtedly a large number of codes which are the products of historical industry developments and where there is scope for consolidation. Arguably, it is Ofgem's role to provide the policy and strategic overview and coordinate reforms across the different codes. The significant code reviews (SCRs) were intended to enable Ofgem to perform this role more effectively but we agree there may be a case for a constituted strategic body to perform this role.

- **Lack of incentive for change:** The assessment appears to attribute the slow pace of change solely to industry-led governance, but this ignores the role played by Ofgem and the (at times, considerable) length of time taken to reach final decisions on SCRs - which, after all, were intended to coordinate and avoid the delays associated with cross-code developments (P272 being a particular pre-SCR example). In our view, the SCR process has not resolved these problems to the extent that it might have done. For example, Ofgem has 'sent back' a number of change proposals for being inadequately or inappropriately developed. This lengthens decision times and could arguably have been avoided if Ofgem had been more engaged and provided a steer during the development of change proposals. Under any reformed governance arrangements, the 'decision taker' on change proposals must be able to take timely decisions if the governance arrangements are to be truly 'agile'.
- **Complexity:** We agree that the codes are complex, reflecting the fact that the energy industry and underlying processes are complex. There is potential for digitalisation and smart systems to reduce process complexity in the next few years and, where this is achieved, for codes to be simplified and rationalised. Simplification of codes should be done to address identified issues (de-fragmentation, standardisation and accessibility) in a coordinated manner; if done in isolation from any underlying process reforms there is a high risk of deleting essential technical details that could compromise industry processes. Most code text has been put in place over the years to fulfil a specific process requirement and may need to be retained in some form.

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

We do not have specific evidence on performance of the current framework, but the code administrators should be able to provide data on specific code performance metrics. As noted in our response to Question 2, we believe Ofgem's decision making has been a contributing factor to the extended duration of change proposals. It would be instructive to disaggregate the 200-250 days quoted in Table 1 for average BSC, DCUSA and UNC modification times between the point the modification is submitted to Ofgem and Ofgem's final determination. Evidence on important reforms progressed by Ofgem under the SCRs shows that on average their duration is often at least 3 years and well in excess of the original implementation date. It would be helpful to understand, through what-if scenario analysis of some specific SCRs to date, what factors have driven the length of the various SCRs and whether these would be mitigated in the reformed governance arrangements.

### 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?

Yes, we think the eleven codes identified are the key ones to consider in the scope for potential reforms. Indeed, they have been consistently identified by Ofgem in its previous code governance reviews (CGRs) and the CMA during the market investigation. We also agree that the systems administered by the DCC, Elexon and Xoserve should be in scope, as modifications to the identified codes will often require changes to these systems to take effect.

Given the codes identified, the areas of reform will require a number of substantial and complex work streams to execute. It is therefore essential that adequate transitional arrangements are put in place to implement the reforms, including work plans allowing

sufficient timescales, sufficient resources (including effective use of industry and legal expertise) and an appropriate phasing of work on the specific codes.

**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.**

No, in principle the reforms should be applied across all the codes. However this should be kept under review as detailed proposals are developed, to check this approach remains appropriate and revised, as appropriate for specific codes.

**Chapter 2: Vision & options**

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

Yes, we broadly agree there is justification for each of the four areas of reform. We have the following high level observations on each area, which we expand on in the subsequent questions.

- a) **Strategic Direction** – We agree this is lacking from the current governance arrangements, though in theory this is a function Ofgem should be performing. That said, we think it is sensible to review the current institutional architecture and consider whether a newly constituted strategic function is required to provide the strategic direction and ensure it is implemented in a timely manner. Given GEMA's present statutory duties and powers, we think the strategic function would sit best under its purview.
- b) **Empowered and Accountable Code Management** – We agree there is justification to transform the current code administration function into a more active manager of change proposals in addition to monitoring and enforcing compliance with codes. We are not convinced that code managers need to have the power to raise change proposals as we understand that instances where code administrators have been unable to identify a code party to raise a change proposal have been extremely limited.
- c) **Independent Decision Making** – We believe there is less need for this area of reform than the other three areas. At present Ofgem decides on the vast majority of change proposals of any importance either as part of SCRs or by final determinations on submitted change proposals. Under the proposed reforms we would expect Ofgem's decision making powers to be transferred to the strategic function, leaving lower impact "self-governance" changes to continue to be decided on by code parties. We think that retaining code panels in some form to provide an initial verdict on change proposals is a useful discipline for integrity of the final determination.
- d) **Code simplification and consolidation** – See our comments under Question 3 regarding complexity. We agree there is some scope for code simplification and rationalisation, but this needs to be a managed process in which superfluous and redundant text is identified and agreement reached that it can be removed without compromising associated data flows and processes. Similarly, any redrafting into plain English should be reviewed to ensure that it still achieves the same outcomes. We agree there is scope to consolidate the codes, probably by activity (ie retail, wholesale and networks), and this could help new entrants and smaller parties more easily identify applicable regulations. Such consolidation could also facilitate

innovation as new business models could more easily identify which of the three activities applied to them and therefore locate a “one stop shop for discussions on what reforms might be needed to accommodate them. We strongly believe that a ‘one code’ proposal should **not** be adopted.

**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.**

We agree with Model 1 (separate code manager(s) and strategic function).

We disagree with Model 2 (integrated rule making body (IRMB) which combines the strategic function), as we consider that it will offer reduced accountability, reduced transparency of responsibilities and is much more likely to be inefficient.

**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 Model 1 is most likely to achieve the four outcomes discussed in Question 1. The primary reason for this is the separation of the strategic function and code manager(s), enabling each to focus more effectively on performing their assigned duties and functions. This separation should also increase transparency and accountability of both entities, further improving their effectiveness.

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

The consultation appears to suggest that code signatories will retain the ability to propose, develop and recommend change proposals, which we support and welcome. We believe further clarification in these areas is required, to determine the boundaries between code signatories, the strategic function and code managers. Such considerations would include:

- **Proposing change proposals** – We would expect this to remain predominantly with code signatories who could make proposals directly or at the request of code managers. We do not believe there is any rationale for code managers being able to raise proposals themselves except in limited circumstances, such as changes to implement the strategic direction where the code manager has demonstrably been unable to find a code signatory to raise the change.
- **Development of change proposals** – This could be a function that is led by the code manager whilst accountable for this to code signatories and strategic function.
- **Recommendation of change proposals** – We think this is a useful discipline performed by code signatories via code panels. Making of recommendations by the panel would not bind the decision maker (we expect the Strategic Function) but should ensure that the final determination is more robust.
- **Approval of change proposals** – Currently code signatories (via code panels) only approve ‘self-governance’ changes and Ofgem approves all other changes with a recommendation from the code panel. Under the proposed reforms, the strategic function could assume Ofgem’s current approval role while code signatories could

continue to approve self-governance changes. Again, we do not believe there is any good reason for code managers to approve change proposals (and conflicts of interest could potentially arise in doing so, if the code manager is paid to manage the change process).

Finally, we believe code managers should be accountable to code signatories as well as to the Strategic Function. Code signatories are the main clients of the code manager and are likely to pay for its costs. They should therefore have oversight over the commercial performance of the manager enshrined in their contractual rights.

### **Chapter 3: 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.**

Yes, we agree there is presently a lack of strategic oversight of industry codes and a need for a coordinating body to steer through wide scale reform (such as to achieve the net zero emissions target) - though arguably Ofgem should have been performing this role to a greater extent than it has done to date. That said, we do recognise the assessment that Ofgem's ability to provide a strategic steer is reliant on its SCR powers which are used on an *ad hoc* basis, and Ofgem may not have the appropriate resources to see through certain industry reforms. Accordingly, we agree that it is timely to review the institutional architecture with a view to creating a more effectively constituted strategic function with the defined responsibilities set out in paragraph 3.3. We agree it would aid accountability to set out the strategic function's objectives directly in legislation or indirectly by amending GEMA's existing statutory duties to include responsibility for the Strategic Function. Like Ofgem, we believe it would be most effective for the strategic function to be accountable to Parliament. In relation to establishing the strategic direction, we think it would be better for this to be achieved via a defined consultative process, possibly annually. For example, the Strategic Function could identify Government policy announcements to be included in the draft direction, accompanied by proposals as to how they would be implemented, and consult on this.

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

From an institutional perspective, we think the strategic function should reside with Ofgem, as GEMA's statutory duties and objectives are most closely aligned to the objectives and responsibilities proposed for the strategic function. We envisage that the strategic function could have similar organisational separation within Ofgem as that presently in place for Ofgem E-serve.

As mentioned in our response to Question 9, direct objectives could be set for the strategic function in legislation or by amending GEMA's statutory objectives. Decision making authority could be delegated from GEMA to a strategic function panel/sub-committee in the same way that it is delegated to Ofgem's Enforcement Decision Panels.

A key advantage of utilising Ofgem in this way is that many of Ofgem's current responsibilities with respect to codes could be more readily transferred to the strategic function and expanded as required. Crucially, it should be more straightforward to retain the appeal route to the CMA, but with the decisions under appeal being those of the strategic function rather than Ofgem. An additional advantage to locating the strategic function in Ofgem is that it would have access to Ofgem's sector oversight and expertise, avoiding the

need to build up this capability from scratch. We recognise the strategic function would require certain additional resources (eg technical industry expertise) which would have to be brought in from outside Ofgem.

**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?**

Yes, we agree with the objectives and responsibilities for the strategic function as set out in paragraph 3.3 and do not at present have any additions to suggest.

**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 think there are two key interactions to clarify:

- **Approval of change proposals.** We expect the strategic function would approve all change proposals raised to implement the strategic direction, in addition to change proposals identified as having importance (eg impacting on consumers and competition). The strategic function should commit to a published timeline and process for making its decisions, and requests for further information and exceptions should be fully explained. We believe this would incentivise the strategic function to provide greater certainty to industry in respect of potential changes. We would expect all other change proposals to be 'self-governance' by default and left with code signatories/panels to approve as is the case presently, albeit with the strategic function retaining Ofgem's existing right to 'call-in' a self-governance proposal if considered necessary. We believe code panels should continue to make a recommendation on all change proposals being approved by the strategic function. We believe it is essential the strategic function's approval decisions can be appealed for a merits based review to the CMA, as is currently the case for Ofgem's code determinations.
- **Oversight of the code manager.** We believe the strategic function should have oversight of the code manager alongside code signatories with defined areas. We think it would more appropriate for the strategic function to have primary responsibility for the code manager's performance on change proposals required to implement the strategic direction and changes identified in the innovation sandbox framework. Code signatories would have primary responsibilities for the day to day performance and service provision of the code manager. The strategic function and code signatories could have shared responsibility for the code manager's budget, strategy and appointment (tender). These rights and arrangements should be enshrined in a multi-party contract, with the strategic function and code signatories having representation on a code manager company board.

**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)?**

In general we agree with the approach for the strategic function to develop the strategic direction and plan, in consultation with stakeholders. We think the strategic board could be an effective way to channel engagement from specific stakeholders such as Ofgem, BEIS,



and Citizens Advice. If a strategic board with BEIS involvement was created this would avoid the requirement for the Secretary of State to approve the strategic direction.

**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.**

Yes, we think the strategic function would be most effective if its sole focus was Government policy. The inclusion of a strategy board with specified stakeholders advising on prescribed matters would enable bodies such as Citizens Advice and Ofgem to provide input in relation to issues such as vulnerable customers. Similarly, BEIS's remit could be limited to advice on whether the Government's vision had been appropriately captured.

#### **Chapter 4: Empowered and accountable code management & independent decision making**

**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 most of the areas set out in a), b) and c) with two specific exceptions:

- We believe there is no justification for code managers having the ability to propose or raise change proposals. To date there have been almost no examples where code administrators have not been able to find a code signatory to raise a change proposal. If code managers were to be given this ability it should be tightly defined so that it could only be utilised in specific circumstances. For example, such powers could be limited to scenarios where code managers have demonstrably been unable to find a code signatory to raise a change proposal required to implement the strategic direction, or for changes arising from interested industry parties (MOPs, DCs etc) that are not integrated with a supplier.
- We do not believe the code manager should decide on or approve change proposals. As noted in our responses to Questions 10 to 14, the strategic function should have similar approval decision taking role to Ofgem, ie on change proposals related to the strategic direction and other higher importance changes. Other change proposals would be subject to self-governance by definition and should remain with code panels for approval. The code manager's focus should be the management and development of change proposals and their prioritisation. As noted above, decision making on changes by code managers may introduce unnecessary conflicts of interest.

**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?**

Yes, we agree code managers should be 'end-to-end'. This would help avoid problems such as were experienced with Project Nexus, where responsibilities were split between the code administrator (Joint Office) and the code delivery body (Xoserve).

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

No, we think all code managers should be 'end-to-end'. There may previously have been questions as to the feasibility with regard to CUSC and other ESO codes. However, now that there is legal separation of the ESO, it should be possible for a third party code manager to assume responsibility for NG's systems, which could be outsourced to it.

**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.**

As explained in our response to Question 12, we believe code managers should be accountable to the strategic function and code signatories. This would be most effectively achieved via a contract. It should be possible to develop a contract that can deliver similar outcomes to a licence in this instance. This accountability and oversight could be achieved by having the strategic function and code signatories jointly represented on a code manager company board.

*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.**

No, as explained in our response to Question 18, we believe code managers should be accountable to both code signatories and the strategic function via a multi-party contract.

**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.**

No, we disagree. Having a code manager accountable to code signatories and the strategic function should not be mutually exclusive. We have explained in our response to Question 12 how such an arrangement could work.

**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 appointment by competitive tender is generally regarded as best practice for awarding service contracts such as code managers. Such an approach could be made more flexible with the ability to tender code manager service areas (performance assurance, project management etc) individually or collectively.

**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.**

No. As explained in our response to Question 12, we believe the strategic function should have joint responsibility with code signatories for the appointment of code managers.

**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.**

Yes, we agree existing licensees should not be required to establish or become the code manager.

**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.**

We believe the accountability of the code manager should be governed by a multi-party contract between the code manager holding it jointly accountable to the strategic function and code signatories. In this model the strategic function and code signatories would have joint sign-off on the code manager's budget.

**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 (eg do you agree that licensees should not be able to exercise control of the code managers)?**

We agree that licensees should not be able to exercise control of code managers in the sense that a subsidiary company of a licensee that is a code signatory should not be able to tender for a code manager contract. However we believe licensees should be able to exercise control over a code manager in their capacity as a code signatory, as explained in our responses to previous questions.

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

The code manager function should be funded by code parties/signatories provided they have commensurate rights and oversight over the code manager, as described in our responses to previous questions. In this context we would not expect the strategic function to fund the code manager.

## **Chapter 5: Code simplification & consolidation**

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

With regards to consolidation, we believe it would be effective to consolidate codes by activity (ie retail, wholesale and networks) possibly for both electricity and gas, though it may not be appropriate to have a consolidated dual fuel networks code. In this context, an obvious quick win would be to utilise the Retail Energy Code (REC) as the basis of the consolidated dual fuel retail code. Code consolidation could be implemented in a phased approach, starting with retail then moving to wholesale and networks.

We do not believe there are any quick wins in relation to simplification and rationalisation of code text. This on the contrary requires appropriately managed review processes with relevant expert input to identify what can be deleted and redrafted without compromising key industry processes. A good example of such an exercise was Ofgem's Supply Licence Review (2005-2007). This was led by an industry legal expert using iterative workshops working through the existing licence conditions to identify superfluous text and reviewing the results of redrafts into plain English. Such work streams will be required as part of the transitional arrangements for implementing these code reforms.

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

As explained above, we think it would be effective to consolidate to dual fuel activities, with possible exception of networks where it may be appropriate to have separate consolidated gas and electricity network codes. So overall consolidation to between three and five codes.

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

Given that we consider only Model 1 (separate strategic function and code manager(s)) to be effective (as explained in our responses to Questions 7 and 8), we believe one code manager per code would be best.

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

Our proposed approach to consolidation (see our response to Question 28 above) would sit between options b) and c).

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

Yes, we think this is an appropriate opportunity to digitalise all the codes as the consolidated and simplified text is baselined.

## **Chapter 6: 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?**

We think there may be a continuing role for code managers to monitor compliance with code provisions and where appropriate publish performance metrics and encourage parties to address issues. Ofgem should remain the route for escalation of more serious non-compliance.

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

We believe only Model 1 (separate strategic function and code manager(s)) will be effective. This would allow code managers to be given clear responsibility for compliance and transparent accountability for their performance in this respect.

### **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)*

As explained in our response to Questions 7 and 8, we do not believe the IRMB would be an effective institution and we do not think it should be pursued further as an option for reform.

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