

Sent by e-mail to: codereform@beis.gov.uk & industrycodes@ofgem.gov.uk

Date 16th September 2019

Regent Gas response to Ofgem's consultation entitled "Consultation on reforming the energy industry code".

Dear Sir/Madam,

Regent Gas welcomes the opportunity to reply Ofgem a consultation issued in July 2019. We have based our responses on our experience as a supplier of gas to commercial enterprises of all sizes. Formed in 1995, Regent Gas is a privately-owned British business gas supplier providing natural Gas, and connection to small, medium-sized and large corporate businesses, throughout England, Scotland and Wales. The company is regulated by Ofgem, for its gas shipping and gas supply activities.

If you would like to discuss any areas of our response, please feel free to contact me on

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Yours sincerely,

Alunga Kalawe

Regulation & Compliance Manager

1 Background

Q1 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.

A1 Yes, we agree with the four desired outcomes for the code governance landscape by the mid-2020s. The four desired outcomes have taken into account that the energy industry is growing at a fast pace in an era of new technologies and energy transition. Also, the market is more and more complex due to e.g. growing participants market or new modes of consumption; the desired outcomes will make the system less complex, more manageable and versatile.

Q2 Do you agree with the problems we've 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.

A2 Yes, we agree with the problems you've identified. The current numerous codes and organisations to deal with them, make it very complex to manage. Therefore, most of the organisations are working for their own interest without sharing information with other bodies. This situation leads to a fragmentation, lack of convergent vision and poor to no incentive to change.

In the near future, all the energy institutions working together will speed up the process of tackling actual issues and anticipating the future of the market.

Q3 Do you have additional evidence on the performance of the current framework?

A3 Regent Gas has noticed that the performance of the current framework has failed to effectively regulate the metering part of the industry done by Meter Asset Manager, MAMs. In the current regime, the demarcation lines between DCC and Ofgem for commercial regulation of smart meters are not clear.

Q4 Do you agree with our proposed scope of reform? Yes/No/Don't know. Please explain. If not, which additional codes or systems do you think should be included/excluded?

A4 We agree with your proposed scope of reform. These are the 4 keys to allow the UK to fulfill the latest energy decision taken by the government.

Nevertheless, we would like to highlight that a sector hasn't been taken into account in this consultation: the commercial regulation of metering activities is not run by Competition and Markets Authority (CMA) or Meter Asset Provider (MAPs). In the past few years, we have noticed that in the range of the domestic meter, there is a discrepancy in the charges of the rental. This is due to the fact that there is no commercial regulation for this matter and no organisation is involved in, even DCC is not involved.

Q5 Are there any codes or systems that we should only apply a limited set of reforms to? Yes/No/Don't know. Please explain.

A5 No, we don't think there are any codes or systems that we should only apply a limited set of reforms to. On the contrary, this consultation is a good opportunity to review all the codes in an attempt.

2 Vision & options

Q6 Do you agree that the four areas for reform are required? Please provide reasons for your position and evidence where possible.

A6 Yes, we agree that the four areas for reform are required. The need for this change has been already explained in the reply A2. The four areas for reform tackle the main areas to put the energy market in another dimension, especially the strategic direction and code simplification.

Q7 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.

A7 Yes, we agree with both broad models outlined. The introduction of the code managers will help the code simplification. If the strategic body is not part of the code, it will have the ease of overlooking the code management.

The separation between the strategic body and the government will give more latitude to the process to be run without any interference from the government.

Q8 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.

A8 We believe that the model 1 will best deliver on your desired outcomes as in this model, the strategic body would be a separate body from the code manager(s) function giving more independence in its ruling.

Within the model 2, the proximity between code managers and strategic function is too close as there is not a clear separation between them.

Q9 Do you agree with the changes to the role of code signatories we are proposing?

A9 We agree with the changes to the role of code signatories proposed. There are fewer code signatories and that should reduce the process time. Under this reform, the person who the administrator is accountable to is not any more signatories of the code. This will delete the conflict of interest and the code will be reviewed by another person.

3 Providing strategic direction

Q10 Do you agree there is a missing strategic function for codes development in the energy sector and that 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?

A10 We agree there is a missing strategic function for codes development in the energy sector and that introducing a strategic function with the responsibilities outlined in chapter 3 is the best way to address the lack of strategic direction.

There is no single organisation responsible for ensuring the codes are updated taken account of the government policies or wider changes. Therefore, a strategic function would not only clarify the mission of the codes but also in a position to reunite the code organisation and the government global energy strategy. This would lead to less to no conflict between the vision of the government and the codes. Moreover, there could be a mutualization of the strength, especially for the technology upgrade. The strategic function will serve as a connector between the state and the code, to be sure they are working together and no against each other.

Also, it is highlighted that Ofgem would no longer have a role for proposing and approving modifications, or leading significant code change under either of the models. We feel that Ofgem is best placed to fulfill the strategic function as this organisation has the experience, is well known and a good reputation. Ofgem has all the necessary resource in terms of people and knowledge, therefore it should be easy to develop a department dealing with strategic function.

Creating a new independent body will add another layer of complexity. We should recycle the available position we have.

We must admit that Ofgem would need to develop the necessary capabilities to perform the functions, in particular in relation to technical expertise, program management and delivery capability.

Q11 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?

A11 We agree with the objectives and responsibilities envisaged for the strategic function. Additional objectives or responsibilities the strategic function could have is to express a right to veto to cancel or postpone the decisions any decision that could be counterproductive according to him. The strategic function could overrule the actions or decisions on matters other than procedural.

Q12 How may this new function potentially impact the roles and responsibilities of other parts of the framework? Do you?

A12

This new function will frame the energy system and make organisation accountable of. The strategic function would act as a moral authority interfacing with the government. The whole process would also make the government accountable in front of the public. The strategic direction will frame the vision of the government.

The foresee any unintended consequences could be that the industry lobbying to the government, this one would try to influence the strategic function. Also, as the government is always keen to overlook the domestic consumers, the non-domestic energy market could be less regarded.

Q13 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)?

A13 Our views on how the strategic direction should be developed and implemented are that the strategic direction should remain independent from the government and just being the connector to the codes.

Q14 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.

A14 Strategic direction should also be able to receive any suggestion from all parties involved in the energy market and work with the government as a force of proposal.

4 Empowered and accountable code management & independent decision making

Q15 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;
yes, we agree with the above.
- b. making decisions on some changes, or making recommendations to the strategic body;
yes, we agree with the above.
- c. prioritising which changes are progressed. Yes/No/Don't know. Please explain.
yes, we agree with the above.

We agree with all the above statements. However, we would like to draw your attention to the fact that a system of appeal should be put in place to reverse or held any decision.

Also, we would like to reduce any lobbying effect that could occur leading to pressurizing the code management.

Q16 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?

A16 The code manager is a crucial step to take into account the licensees' expectations without being influenced by them.

Q17 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.

A17 Yes, the approach should differ on a case-by-case basis as the codes are diverse and are ruling different part of the energy field targeting different demographics. This reform should be an extended reform but not a global one in order to focus on specific targets.

Q18 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.

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

A18 We agree that the code manager function should be accountable to the strategic body. It will allow this function to be framed and in line with the government strategy.

Nonetheless, it would have been appreciated if the terms "licence" and "contract" could have been clarified. To our best understanding, we would say that a contract is the best one to deal with this situation as it lists the inputs, rules and expectations. Instead of a license. The contract allows inserting clauses and appropriate sanction for non-compliance.

Q19 Are there more effective ways that the code manager function's accountability to the strategic body could be enshrined other than in a licence or contract? Please explain.

A19 We find that there are no more effective ways that the code manager function's accountability to the strategic body could be enshrined other than in a licence or contract. As those two ways are the best to borne and set up clearly the responsibilities and obligations.

Q20 Do you agree that we should not consider further a model whereby the code manager function is accountable to industry? Yes/No/Don't know. Please explain.

A20 We agree that we should not consider further a model whereby the code manager function is accountable to industry. Being accountable to the industry could lead to a conflict of interest.

Q21 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.

A21 Our views are that the code manager function should be appointed following a competitive tender process. A tender is the most democratic process which allows all eligible parties to take part but also to attract only the people interested in. However, all the criteria to choose the winner should be clear at the beginning.

Q22 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.

A22 We think the code manager function should be established by the strategic body creating only one body working across all the codes. Indeed, creating several bodies would complexify the process we would like to see alleviate. With one body, it would be easier to coordinate and faster to resolve problems. We would like to highlight that the body would have appropriate skills across the codes.

We don't think we need to consider any alternative approaches to funding or accountability if the code managers were established in this way.

Q23 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 that you should not consider the above statements because it could lead to a conflict of interest because the existing licensee whatever its experience and deep knowledge of the energy market, would tend to protect/favorite its party. Currently, licensee or group of licensees are the users of the code, they are no code makers.

Q24 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.

A24 One of the alternatives of the most effective way to ensure the code manager function offers value for money could be: monitoring performance of the code manager against a list of criteria or indicator or achievement.

Q25 Are there any factors that:

- a. would stop parties (including code administrators) from becoming a code manager?

A25a We think the factors which can stop parties becoming a code manager could be mainly law Morality, condemnation for legal, tax or moral affaire.

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)?

A25b Any collusion with code manager or other things which could pressure the code managers.

Q26 How should (for example through licence fees or by parties to the code(s))?

A26 We think the best way for the code manager function to be funded is by the industry as the whole industry should benefit from the reform not only the licensees.

5 Code simplification & consolidation

Q27 Are there any quick wins that could be realised in terms of code consolidation and simplification?

A27 We don't see there any quick wins that could be realised in terms of code consolidation and simplification.

Q28 How many codes would best deliver on the outcomes we are seeking under these reforms?

A28 We think 6 different codes would best deliver on the outcomes you are seeking under these reforms according the table below

Fuel	Sector		
Gas	Wholesaler	Retailer	Network
Electricity	Wholesaler	Retailer	Network

The six codes above encompass the whole energy market but still take into account specificity of sector and fuel. Splitting the market in different codes would also allow having a single point of contact for the industry stakeholders. We have notice that as a supplier it is sometime difficult to reach the official organisation when facing a problem or having a question to raise. This point could be very helpful, especially for new entrants.

A unique code would be more difficult to change.

Q29 Which option (one code manager versus multiple) would best deliver on the outcomes we are seeking under these reforms?

A29 The best option to deliver on the outcomes you are seeking under these reforms is a code manager per code.

Q30 Which of our consolidation options would best deliver the outcomes we are seeking to achieve? Please provide evidence for your examples.

A30 We think option B with multiple code managers would be the best to deliver the outcomes you are seeking to achieve.

Depending on the model for code consolidation, having multiple code managers could better align the organisational structure with the regulatory framework. Further, having more than one code manager would retain the ability to benchmark code manager performance. Also, if code managers were appointed for set terms, it would mean that at the end of each term, when retendering there may be a bigger and better pool of code managers to choose from.

Q31 Do you agree that the codes should be digitalised? Yes/No/Don't know. Please explain.

A31 We agree that the codes should be digitalized in order to be in phase with the new technology and for a quick access. People would still be able to print it out if they want.

A backup solution for people who can access to the code or if any major online trouble happens.

We still need to keep PDF format in case.

6 Monitoring and compliance

Q32 What role should industry have in monitoring code compliance or making decisions on measures needed to address any identified non-compliance?

Q33 Which of the two models we propose would better facilitate effective monitoring and compliance arrangements? Please explain.

Q34 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).

Q34 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).