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### Consultation on Reforming the Energy Industry Codes– RWE Response.

Dear BEIS and Ofgem,

RWE welcomes the opportunity to respond to the BEIS and Ofgem “Consultation on Reforming the Energy Industry Codes” published on 22<sup>nd</sup> July 2019 (the Consultation Document). We are responding on behalf of RWE Supply & Trading GmbH and RWE Generation plc (RWE). This is a non-confidential response.

RWE supports the review of the energy industry governance framework and the industry rules. We agree that the arrangements can appear bewilderingly complicated and difficult to understand in their entirety.

The current regulatory framework is based on multiparty agreements and technical codes underpinned by economic regulation and independent decision making under the Gas and Electricity Markets Authority (GEMA). This has worked remarkably well and delivered a stable investment framework. New measures such as those required to support low carbon technologies, the price cap and half hourly metering have added to the regulatory landscape. They have created new obligations, arrangements, responsibilities and liabilities.

It is essential that the reform of the energy industry codes builds on the existing framework, avoids increasing regulatory risk and facilitates investment. With regard to the four areas of reform identified in the Consultation Document we have the following views:

- 1. Providing strategic direction:** Government should set out the strategic vision for the industry. Ofgem’s duties could be enhanced to ensure implementation of the vision through the Significant Code Review (SCR) process;
- 2. Empowered and accountable code management:** Code managers should be responsible for efficient and effective code administration and delivery of change. Code managers should have a specific duty to simplify and consolidate codes;
- 3. Independent decision-making:** Independent decision making should be maintained through the Gas and Electricity Markets Authority; and

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**4. Code simplification and consolidation.** Code simplification and consolidation should be managed through a progressive process of improvement rather than under any “big bang” approach.

In terms of priorities, it would be sensible to target code management and governance in the initial phase of the reform to establish initially the new governance framework. Code simplification and consolidation could follow. A specific duty on the code manager should ensure that the structure of the codes was kept under review to ensure ongoing simplification and coordination of changes.

We note that given the scale of the proposed review and the extent of the potential reforms considerable work is required across the industry to implement the outcome. Input will be required from all parties to the current codes and the code administrators in a comprehensive effort that is analogous to the introduction of the new electricity trading arrangements (NETA). This will require careful project management with a clear set of guiding principles.

Our response to the questions in the Consultation Document is included in Annex 1. If you have any comments, or wish to discuss the issues raised in this letter, then please do not hesitate to contact me.

Yours faithfully

*By email*

Bill Reed, Market Development Manager

## Annex 1: Response to the Questions in the Consultation Document<sup>1</sup>

### Questions

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Please select a box from the list of options below that best describes you as a respondent. This allows views to be presented by group type.

	<b>Respondent type</b>
<input type="checkbox"/>	Business representative organisation/trade body
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<input type="checkbox"/>	Micro business (up to 9 staff)
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<sup>1</sup> See page 49 of the Consultation Document at [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/819740/reforming-energy-industry-codes-consultation.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/819740/reforming-energy-industry-codes-consultation.pdf)

**Question 1** [page 17 in consultation document]

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

☒ Yes      ☐ No      ☐ Don't know

**Please explain.**

Comments: We agree with the aspiration to create a landscape for code governance that facilitates the transition to a low carbon energy system with zero emissions. This landscape must ensure that all parties interacting with the energy market (including new entrants) have clear and transparent pathways that enable the delivery of valuable and essential services to customers. Where change occurs, this must be delivered in a timely manner and in ways which enhance the customer experience.

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

Comments: [Click here to enter text.](#)

**Question 2** [page 17 in consultation document]

**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.**

Comments: We agree with the issues identified as problems with the existing framework and support the governance review in trying to address them. Although we are one of the existing players we also have frustrations over the complexity of the arrangements, the resource commitment required, lack of coordination, the slow pace of change, the lack of a strategic direction, fragmented decision making and complexity.

**Question 3** [page 18 in consultation document]

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

Comments: We do not have any additional evidence on the performance of the current framework.

**Question 4** [page 18 in consultation document]

**Do you agree with our proposed scope of reform?**

☐ Yes      ☒ No      ☐ Don't know

**Please explain.**

Comments: We agree with the scope of the reform outlined in the Consultation Document, which encompasses all of the existing industry codes. However a comprehensive review should also consider all of the arrangements which impact on economic regulation and effective administration of the electricity market. This includes the role of Government, BEIS, Ofgem and GEMA, implementation of EU Network Codes, the licensing regime, the legal framework and the role that market participants play as code signatories.

**If not, which additional codes or systems do you think should be included/excluded?**

Comments: The review should consider:

- EU Network Codes;
- The EMR reform package and associated rules;
- The Smart Metering initiatives including the Retail Energy Code;
- Code subsidiary documents;
- Code related bilateral agreements; and
- Licence related documents (such as the C16 statements and gas charging methodologies).

With regard to the European Network Codes we note that these have introduced a new layer of compliance to the GB regulatory landscape. They interact with the GB arrangements, establish new arrangements in the GB Codes (e.g. the RFG has required changes to the GB Grid Code) and introduce the requirement for additional reviews and approvals over and above the existing GB Codes. Implementing the European Network Codes will also require ongoing revisions to the GB arrangements (e.g. Project TERRE required changes to the BSC, CUSC and Grid Code). Brexit further complicates the implementation of these codes.

**Question 5 [page 18 in consultation document]**

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

☐ Yes      ☒ No      ☐ Don't know

**Please explain.**

Comments: We do not believe there are any codes or systems that BEIS/Ofgem should only apply a limited set of reforms to.

**Question 6 [page 21 in consultation document]**

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

Comments: We agree that there are four areas which should be considered for reform. We have the following observations of each area of reform:

(1) **Providing strategic direction:** We agree that it would be helpful to have a regulatory framework that is informed by the Government's vision for the energy system. However, we

note that this “vision” should be stable, consistent with delivering ongoing investment in the energy market and respects the role of GEMA and Ofgem in undertaking its role as the economic regulator of the industry;

**(2) Empowered and accountable code management:** Code managers with sufficient resources are required to ensure that the change process is delivered in a clear and logical manner across all the Codes;

**(3) Independent decision making:** We agree that decision making should be independent. However, this is the case today since GEMA operates as the independent decision maker. In approving or rejecting changes to the Codes the GEMA takes into account the Code objectives and the wider statutory duties of the regulator established by the Government. Indeed we believe that the independence of GEMA should be enhanced to ensure the separation of code administration under Ofgem from the decision making process under GEMA. We do not recognise the assertion that industry has “control” over decision making under the current arrangements. Although the Code Panels include market participants, there is an obligation to ensure that recommendations should respect the Code objectives, with ultimate decisions making residing with GEMA. Note that we do not participate in these Code Panels. We have concerns about proposals to enable the code manager approving changes that it itself has instigated (this is not “independent decision making”).

**(4) Code simplification and consolidation:** This is an urgent area for consideration and should be implemented in an effective and timely manner alongside changes to code management. However we are concerned that code simplification and consolidation may have significant commercial impacts on legally binding multiparty agreements and licence obligations. Significant industry resources may be required to undertake such an activity. One of the quick wins would be to ensure that all new changes to codes have the objective of delivering code simplification and consolidation (where appropriate).

## **Question 7 [page 21 in consultation document]**

**Do you agree with the two broad models outlined? Please provide reasons for your position and evidence where possible.**

Comments: We note the two broad governance models that are outlined and agree that they are both plausible and implementable outcomes for the review of the Code Governance review. We do not have a preferred model.

The proposed models should be compared and contrasted with the current arrangements to ensure that they deliver enhanced decision making.

We note that under in the current regulatory framework Ofgem operates as the economic regulator and the “strategic body” (through the SCR arrangements) in a statutory landscape set by Government.

We do not believe that the case has been made for introducing a new “strategic body” with additional powers to direct industry change. The desired outcomes of code governance reform can be delivered under the current regulatory arrangements (including greater strategic direction, reformed code management and code simplification and consolidation) by enhancing the strategic role of Ofgem and strengthening the independent decision role of GEMA.

**Question 8** [page 21 in consultation document]

**Which model do you believe will best deliver on our desired outcomes? Please explain.**

Comments: Both of the governance models presented in the Consultation Document represent plausible ways forward for the industry framework.

Model 1 introduces some element of independence for the “strategic body”, while Model 2 closely resembles the current arrangements where Ofgem has the role of an economic regulator and integrated rule making body (through the SCR process).

We do not believe that the case has been made for introducing a new “strategic body” into the regulatory landscape.

We are concerned that changes to the role of code signatories may significantly impact the nature of some of the codes which are currently constituted as multi-party agreements. This will increase regulatory risk in the industry.

**Question 9** [page 21 in consultation document]

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

Comments: We do not agree with the proposed changes to the role of code signatories. We recognise that new governance models will create new obligations, responsibilities and relationships for code parties. The specific role of the code signatories and their ongoing obligations with respect will require detailed consideration. Further work is required to consider the implications of the high level proposals in the Consultation Document for code signatories of any changes to the industry framework.

**Question 10** [page 29 in consultation document]

**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.

Comments: We do not agree that there is a missing strategic function for code development in the energy sector.

There has been no shortage of “strategic reviews” of the energy industry and its governance framework over the past few years. A number of significant and material “strategic” changes have been implemented including the introduction of the independent decision making through GEMA, the “Significant Code Review” process under Ofgem, the introduction of rights of appeal to the CMA, and the development of self-governance arrangements.

The most recent “strategic review” of industry governance is associated with the package of measures designed to deliver “electricity market reform”. This established an entirely novel approach to industry governance whereby the market rules were enshrined in both primary

and secondary legislation, with strategic direction residing with the Government and Secretary of State, with a residual role for the electricity system operator (ESO) as a “delivery body”. For Ofgem regarding the industry rules and market participants as capacity providers.

Under the EMR package the roles of the key players is fragmented across the various administrators of the arrangements including the Government, the Secretary of State, BEIS, Ofgem and other industry bodies such as the ESO and Elexon.

With regard to the existing codes, significant reform has been implemented by Government legislation (e.g. the Renewables Obligation and Price Caps) or by changes to existing industry licences (e.g. measures to improve market liquidity and creating a new Retail Energy Code) or through the existing industry governance framework (using the SCR process).

If we consider the current code landscape we recognise that there has been a largely the piecemeal approach towards the strategic functions and responsibilities. Incremental changes have taken place to existing codes which have increased complexity. The development of new codes, rules and regulation has fragmented the relationship between code bodies and industry parties. It is essential, therefore, that in considering the strategic function, that the roles and responsibility of the existing players with respect to the industry codes is recognised. This includes for example:

- The European Commission with respect to Network Codes (even after Brexit the EU will continue to influence the strategic direction of the GB energy industry);
- The Secretary of State with respect to the Capacity Market and CFDs;
- GEMA with regard to independent decision making;
- Ofgem with regard to SCRs such as electricity and gas charging and half hourly settlement;
- The System Operators with regard to the provision of system services;
- The Network Companies with respect to investment and connections;
- Code administrators with regard to the delivery of change; and
- Parties to the codes and with respect to significant modifications which have strategic implications.

While we do not agree that there is a missing strategic function for code development in the energy sector, there are some important elements missing from the current regulatory landscape, notably with regard to overall market design and system development.

A “market architect” role could be an important element of the new industry framework with responsibility for setting out the overall design specification for the energy market and advising on potential significant changes. This role could include managing interfaces between parties, impact assessments of potential changes and delivery of important and significant change. The architect could provide advice to Government, licensees and market participants including providing advice and information to new entrants and smaller players.



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

Comments: The strategic function with the responsibilities outlined in chapter 3 can be delivered under the current regulatory arrangements (including greater strategic direction, reformed code management and code simplification and consolidation) by enhancing the economic regulation role of Ofgem and ensuring independent decision making through the Gas and Electricity Markets Authority (GEMA).

We do not believe that the case has been made for introducing a new “strategic body” into the regulatory landscape.

**Question 11** [page 29 in consultation document]

**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?**

Comments: We note the objectives and roles of the strategic function as set out in the Consultation Document. These seem sensible. However, we note that the objectives and responsibilities could be assigned to Ofgem under the current regulatory framework.

**Question 12** [page 29 in consultation document]

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

Comments: The Consultation Document envisaged that the specific body charged with a “strategic function” will have the power to lead or direct changes to the industry landscape. This is currently the role undertaken by Ofgem, through the SCR process.

We are concerned that any new strategic body will change the nature of the regulatory risk associated with interacting in the energy market. In particular any new body may increase the regulatory risk for industry parties.

Under the current arrangements the legislative framework defines Ofgem’s role as the economic regulator for the energy industry. This role could be enhanced. Assigning a more strategic role to an existing regulatory body such as Ofgem could ensure the delivery of the Government’s strategic vision.

The independence of the strategic function is an area that requires considerable thought. It may be appropriate to establish independence at an early stage, determine its governing principles, and set out the framework for its interface with government and market participants.

**Question 13** [page 29 in consultation document]

**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)?**

Comments: The precise arrangements as to how a strategic body (which could be Ofgem) fulfils its function, including the role of a strategy board, requires detailed consideration. The

roles and relationships between the relevant parties should form part of the governance framework. A strategy board within Ofgem may be a useful construct in this context, though its role will need to be clearly defined. Clearly considerable work with market participants is required to understand and develop any new role.

**Question 14** [page 29 in consultation document]

**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.

Comments: This question is in two parts and it is difficult to provide a yes or no answer.

The first part of the question relates to the scope of the strategic function and its role in translating the Government's vision for the energy sector into a plan for the industry. It is clearly important that the strategic function has the capability to interpret the intent of the Government and a role in developing a delivery plan. The strategic function should also take into account the wider regulatory landscape including EU directives and regulations (as implemented in GB) and take into account the duties of the regulator as established in primary or secondary legislation (e.g. economic regulation and customer protections).

The second part of the question relates to other areas that the strategic function could address. However, it is not altogether clear in the Consultation Document as to what is envisaged with regard to "other areas". The roles and responsibilities of the strategic body should be clearly and transparently set out, possibly through a number of objectives at the outset. The role should primarily focus on interpreting and implementing the Government's high level vision for the energy market. However, there may be other subsidiary obligations such as protecting the interests of customers (this is consistent with Ofgem's wider statutory duties).

We are concerned about proposals that introduce further obligations on relevant parties including those "to act consistently with the strategic direction". Such an obligation is vague and may be unenforceable. It would be better to enable the strategic body to develop changes to the codes (subject to consultation) and rely on the delivery of the strategic vision (perhaps through an SCR process) with the obligation of parties to comply with the relevant codes. This is in effect the way that the current "strategic vision" is implemented.

**Question 15** [page 36 in consultation document]

**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      ☒ No      ☐ Don't know

**b. making decisions on some changes, or making recommendations to the strategic body; and**

☐ Yes      ☒ No      ☐ Don't know

**c. prioritising which changes are progressed.**

☐ Yes      ☒ No      ☐ Don't know

Please explain.

Comments: We do not agree that the code management function could include

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.

The Code management function should operate independently as an administrator of the code management process and this role should include developing changes proposed by relevant parties, analysis, legal drafting and undertaking impact assessments.

The code manager should be responsible for the administration of the code and its change processes and not for making decisions on some changes, or making recommendations to the strategic body.

The code manger should not prioritise change, but have an obligation to manage effectively and efficiently the change management process (and be given the resources to undertake such a role. The code governance arrangements may, however, allow for prioritisation of change subject to meeting certain criteria such as urgency.

#### **Question 16** [page 36 in consultation document]

**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?**

Comments: We support the introduction of code managers that are responsible for end-to-end code changes and related systems (in relation to the code that they are administering). It is essential that the code managers have the skill set that enables them to understand the impact of proposed changes and to manage their implementation. Code managers should have the resources to assess the system and resource implications of the changes in determining the scale and cost of the change.

#### **Question 17** [page 36 in consultation document]

**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.

Comments: The approach to code management currently applies on a case-by-case basis.

The code governance review should consider whether a standardised approach to code management is adopted. This would help to simplify processes and aid transparency in decision making.

**Question 18** [page 36 in consultation document]

**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.

Comments: We do not support the accountability of the code manager to the strategic body (which may be Ofgem). The code manager should be responsible to the parties to the code for effective and efficient administration of the code and code changes.

Currently the role of code manager may be set out in the Code (e.g. the BSC) or is the direct responsibility of regulated network companies. In our experience best practice for effective and efficient code management is where the roles and responsibilities are set out in the code itself and not where code management is delivered by the network companies.

Decisions on code changes should be made by an independent body and take into account the overarching principles, guidance or statutory framework established by Government.

The Consultation Document suggests that the current framework is accountable to industry. We do not believe that this is the case. The code change process is subject to oversight by Ofgem under the legislative framework and enforced through licences.

In respect of the code governance review, the nature of the code must be taken into account in any reforms. Codes that are multiparty agreements (e.g. the BSC, CUSC and UNC) will require direct input from the parties. Codes that are technical documents with compliance requirements ensured through licence obligations (e.g. the Grid Code) directly impact those parties required to comply. Other codes are solely related to a specific licensee (e.g. the SQSS and transmission owners) and set out specific obligations which may need to be reviewed.

It may not be appropriate to take a "one size fits all" approach to the governance arrangements for all codes, subsidiary documents and licence documents (e.g. C16 statements).

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

**Question 19** [page 36 in consultation document]

**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?**

Comments: The "accountability" of the code manager function relate both to the establishment of the code manager and its ongoing operational responsibilities.

The strategic body (which could be Ofgem) could maintain **strategic oversight** including the responsibility for overall market design and architecture. This strategic role may include proposing changes to the relevant code through the SCR process.

The code manager should be responsible for **code administration** and the **delivery** of changes following an agreed process for making relevant changes. The role should include prescribed standards of performance and an obligation on the code manager to perform its relevant duties effectively and efficiently.

The code manager should be established under a relevant licence. This is the case for most of the current codes, with the notable exception of the EMR regulations and rules.

**Question 20** [page 36 in consultation document]

**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.

Comments: We do not agree that Ofgem/BEIS should **not** consider further a model whereby code managers are accountable to industry.

The code manager role is essentially a function that administers the code and delivers code change. Industry should have a role to play in the accountability of the code manager, particularly where this impacts on service provision or efficient change management.

Some codes are multiparty agreements with the role of the code manager set out in those agreements (e.g. the BSC, CUSC etc.). It is essential that in these cases the code manager function is accountable to industry either in respect of code administration or via the code governance process. Indeed it may be appropriate for the code manager role to be set out explicitly in the agreements to improve accountability to the parties to the code.

**Question 21** [page 37 in consultation document]

**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.

Comments: We do not support competition where the existing arrangements have been effective in delivering code management (e.g. BSCOs role under the BSC).

A competitive tender process or competition may be appropriate provided that the code manager role can be sufficiently specified under the Code. This specification could include the standards of performance and value for money criteria. Any tender process must be administered under the Code and consider both the costs of code management and the quality of service to be provided by the code administrator. Sanctions should be provided for to ensure efficient code managements, including the right to terminate an agreement if the code manager fails to perform.

We would be concerned if a competition process significantly undermines the performance the code administrator of existing codes.

**Question 22** [page 37 in consultation document]

**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.

Comments: The code manager function and role should be clearly specified in the Code and could be subject to appointment by a relevant licensee.

Where the role of the code manager is properly specified and funded in the Code arrangements (e.g. BSCCo under the BSC) then the role of the code manager is intrinsic to the relevant code.

If the relevant licensee has the capability undertake a code manager role, then it is for that licensee to submit a bid in any competitive procurement process subject to ensuring that there are no conflicts of interest.

**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.

Comments: It is difficult to answer this question with a "yes" or "no".

Code management should be funded by the parties to the code through cost reflective charges and, if appropriate, under the price control of the relevant licensee subject to the code administrator meeting relevant performance standards.

**Question 23** [page 37 in consultation document]

**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**

☐ Yes      ☒ No      ☐ Don't know

**b. requiring a licensee (or group of licensees) to create the code manager?**

☐ Yes      ☒ No      ☐ Don't know

Please explain.

Comments: The code manager function and role should be clearly specified and could be subject to competitive procurement by the relevant licensee. However, it is clear where the role of the code manager is properly specified and funded in the code arrangements (e.g. under the BSC) then the role of the code manager is intrinsic to the relevant code.

If the relevant licensee has the capability undertake a code manager role, then it is for that licensee to submit a bid in any competitive procurement process subject to ensuring that there are no conflicts of interest.

There may be a case of licensee (or group of licensees) to undertake the code manager role (as is the case for the DCUSA) provided that such licensees are subject to a price control (i.e. the network companies).

**Question 24** [page 37 in consultation document]

**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.

Comments: It is important that the code manager function delivers efficient and effective code management and is properly funded. This can be achieved through ensuring that the role of the code manager is set out clearly at the outset either within the code itself or through a detailed specification of the duties and responsibilities of the code manager. The code manager should also be subject to specific performance standards. Our preference is for the code manager role to be set out in the Code itself.

**Question 25** [page 37 in consultation document]

**Are there any factors that:**

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

☒ Yes      ☐ No      ☐ Don't know

**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)?**

☒ Yes      ☐ No      ☐ Don't know

Please explain.

Comments: In answer to Part a of the question then it is clear that parties should not be code managers if there is a clear conflict of interest in undertaking such a role.

In answer to Part b of the question parties including licensees should not be able to become code managers where they are able to exercise control of the code manager.

**Question 26** [page 37 in consultation document]

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

Please explain.

Comments: The code manager function could be funded through the relevant licence under the price control or through additional cost reflective fees that relate to undertaking the role or the performance of the functions

**Question 27** [page 44 in consultation document]

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

Comments: It is difficult to identify any quick wins that could be realised in terms of code consolidation or simplification.

Any work to deliver change to the codes will require cross industry cooperation to deliver the change. Given the nature of multiparty agreements, input will be required from all parties to the current codes and the code administrators in a comprehensive effort that is analogous to the introduction of the new electricity trading arrangements (NETA) in 2000. This will require careful project management with a clear set of guiding principles.

We are concerned about the potential commercial implications of any changes that are designed to deliver "quick wins".



**Question 28** [page 44 in consultation document]

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

Comments: In determining how many codes would best deliver on the outcomes it is essential that the review should consider the nature of all the relevant codes. The review should also consider the interaction between the codes and the potential cross code implications of any changes in the process of consolidation. This process should itself determine the optimum number of codes.

**Question 29** [page 44 in consultation document]

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

Comments: A duty on the code managers to deliver code simplification and consolidation, where appropriate, should be considered as part of the implementation process.

**Question 30** [page 44 in consultation document]

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

Comments: The arrangements for consolidation will differ across the relevant codes. There may be a case for functional consolidation (e.g. standardised network connections arrangements across transmission and distribution voltages). However, it will be difficult to consolidate and specific arrangements for each fuel may be required (e.g. gas quality or electricity frequency management). Each code should be reviewed to determine the extent of possible consolidation.

**Question 31** [page 44 in consultation document]

**Do you agree that the codes should be digitalised?**

☒ Yes

☐ No

☐ Don't know

Please explain.

Comments: Code information should be transparently available electronically.

**Question 32** [page 47 in consultation document]

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

Comments: The current compliance arrangements based on legislation, licences and multiparty agreements should be maintained. This ensures that the compliance arrangements are proportionate, manageable and enforceable.

**Question 33** [page 47 in consultation document]

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

**Please explain.**

Comments: Under both models the compliance arrangements should be proportionate, manageable and enforceable. The code managers may have some role to play in this (e.g. performance assurance arrangements).

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

**Question 34** [page 47 in consultation document]

**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.**

Comments: The IRMB (integrated rule making body) should not have responsibility for imposing measures (where a party is non-compliant with the code). Compliance should be ensured through legislation, licences and the code provisions. Compliance arrangements must be proportionate, manageable and enforceable.



**Do you have any other comments that might aid the consultation process as a whole?**

Please use this space for any general comments that you may have, comments on the layout of this consultation would also be welcomed.

We have no further comments

Thank you for taking the time to let us have your views. We do not intend to acknowledge receipt of individual responses unless you tick the box below.

Please acknowledge this reply ☒

At BEIS we carry out our research on many different topics and consultations. As your views are valuable to us, would it be okay if we were to contact you again from time to time either for research or to send through consultation documents?

☒ Yes

☐ No