



## Reforming the Energy Industry Codes - response form

The consultation is available at: [www.gov.uk/government/consultations/reforming-the-energy-industry-codes](http://www.gov.uk/government/consultations/reforming-the-energy-industry-codes)

The closing date for responses is: 16 September (23.45)

Please return your completed form to the following email addresses. As this is a joint review, please ensure you respond to **both** email addresses below.

**Email to:** [codereform@beis.gov.uk](mailto:codereform@beis.gov.uk) & [industrycodes@ofgem.gov.uk](mailto:industrycodes@ofgem.gov.uk)

If you would like to send a hard copy then please send copies to the following. As this is a joint review, please ensure you send copies to **both** postal addresses below.

### Write to:

Code Reform - Electricity Systems Team  
Department for Business, Energy and Industrial Strategy  
Abbey 1, 3rd Floor,  
1 Victoria Street  
London  
SW1H 0ET

Ofgem  
Industry Code and Licensing Team  
Office of Gas and Electricity Markets  
10 South Colonnade  
Canary Wharf  
London, E14 4PU

BEIS and Ofgem will share with each other all responses that are received.

When responding, please state whether you are responding as an individual or representing the views of an organisation.

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

Please be aware that we intend to publish all responses to this consultation.

Information provided in response to this consultation, including personal information, may be subject to publication or release to other parties or to disclosure in accordance with the

access to information regimes. Please see the consultation document for further information.

If you want information, including personal data, that you provide to be treated as confidential, please explain to us below why you regard the information you have provided as confidential. If we receive a request for disclosure of the information, we shall take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the department.

I want my response to be treated as confidential ☐

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

## 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
<input type="checkbox"/>	Central government
<input type="checkbox"/>	Charity or social enterprise
<input type="checkbox"/>	Individual
<input checked="" type="checkbox"/>	Large business (over 250 staff)
<input type="checkbox"/>	Legal representative
<input type="checkbox"/>	Local government
<input type="checkbox"/>	Medium business (50 to 250 staff)
<input type="checkbox"/>	Micro business (up to 9 staff)
<input type="checkbox"/>	Small business (10 to 49 staff)
<input type="checkbox"/>	Trade union or staff association
<input type="checkbox"/>	Other (please describe)

### 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: **Simple** – ABB agrees that the energy codes are overly-complex and inaccessible to both current and potential market participants. Simplifying the codes will not only ensure compliance from existing participants but also encourage new entrants into the market, which will have a positive impact on competition, variety of

offers for consumers, and price.

**Forward-looking** – ABB agrees that the energy codes should follow the government's ambitions but adds that there needs to be an overarching and comprehensive strategy, led by government, to bring the UK towards net zero emissions by 2050. ABB believes that this strategy should be motivated by research and development (R&D) so that the UK can move towards net zero in a way that enables industry to build strong centres of expertise in the UK.

**Agile and responsive** - While reducing energy costs for consumers is essential, resilience of the network cannot be under-prioritised as the government develops its energy codes and moves toward net zero emissions. As the 9 August 2019 blackouts demonstrated, there is room for improvement to ensure that the network is resilient and can respond appropriately to unexpected conditions, such as adverse weather.

**Able to accommodate a large number of participants** – as previously mentioned, accessible codes will encourage new entrants into the market. Ofgem and the government must therefore ensure that the codes' contents have the capacity to deal with a changing market. Therefore, the energy codes must take a whole system view that is able to comprehend the complexity of building an energy system fit for the future, making the resilience of the network a priority.

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

Comments:

## **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: ABB agrees that the problems identified in chapter 1 present a persuasive case for reform, in particular the complexity and fragmentation of the codes.

To fully comprehend the cost/benefits of the new codes, the codes need to be made accessible and, where possible, their content should be streamlined. Digitalising the codes would be a simple and effective first step towards simplification. For example, it would incentivise industries to undertake activities to ensure their compliance. Industry codes must also have the capability to account for new technology and should sit within an overarching regulatory framework set for that purpose. Rather than attempting to fit new technology into existing codes, ABB agrees that the codes should be flexible enough to meet new challenges, such as electric vehicle charging.

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

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

Comments: Example: battery energy storage

The current energy codes do not work for battery energy storage because they were designed for older technologies such as batteries for generators, meaning that multiple codes apply to battery energy storage, overcomplicating their regulation, confusing market participants and delaying connection agreements. According to a joint 2017 report from an all-party Parliamentary Group on Energy Storage and the Renewable Energy Association, government policy and regulation present the biggest barriers to the deployment of battery energy storage in the UK. It concluded that there is “a clear requirement for energy storage at home and abroad”, whether to increase energy self-reliance, maximise the efficiency of renewable generators, support the roll-out of electric vehicles or support grid balancing and that “a rapid upgrading of the regulatory system would allow a wide range of storage technologies to take off nationwide.” Changes called for by the group suggested capacity market reforms to allow storage to compete more readily with diesel generation, rapid cost reductions, a sector deal for energy storage, the successful simplification of the National Grid ancillary services market with favourable opportunities for storage and a separate definition for energy storage in legislation outside of current plans for an amendment to generation licencing in the Electricity Act.

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

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

☐ Yes

☐ No

☒ Don't know

**Please explain.**

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

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

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

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

**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: ABB supports the proposed areas for reform and makes the following comments.

**Providing strategic direction** – ABB agrees that the regulatory framework should be informed by the government's vision. ABB is calling for government-led evidence-based policy which incentivises market participants to achieve an equitable balance between the need to move towards the ambition of net zero emissions by 2050, while maintaining network resilience and seeking to lower the overall system cost

**Empowered and accountable code management** – while it is important to ensure that energy companies are compliant with the new codes through empowered enforcement, the government must first direct resources to incentivising the industry to address all 3 elements of the energy trilemma.

**Independent decision making** – as laid out above, ABB welcomes the focus on finding the right incentives to drive the design of rules and the system. Currently, incentives to encourage companies to decarbonise, improve resilience and lower costs are insufficient and more can be done to educate market participants about the benefits of transitioning to low carbon options.

**Code simplification and consolidation** – as previously mentioned, ABB agrees that the energy codes need to be simplified to improve accessibility, ability to adapt to a changing market, and to ensure that market participants can comply.

Example: the transition from DNOs to DSOs

The transition from Distribution Network Operators (DNOs) to Distribution System Operators (DSOs) will allow the system to take on greater functions to deal with increases in distributed generation, such as active network management, using new technology and real-time data to make interventions on the network. The transition offers major benefits to operators, from cost, to energy efficiency, to supply resilience, but it is under-emphasised as an advantageous route for industry leaders. The energy industry codes must clearly incentivise companies to support the overall direction of the government, in particular its pursuit of net zero.

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

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

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

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

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

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

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

**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: ABB agrees that there is a missing strategic function for code development and argues that this function should be a joint venture between government and industry. The industry needs a whole-system approach which combines the government's ambitions, such as the net zero target, with industry-led expertise and advice on how the government's direction can manifest practically. Akin to other sectors, ABB is calling for a commission/body that represents market operators, local energy companies, supply chain participants and consumers, working with government so that its targets are reached. As the codes will follow the strategic direction of the government, the government is best placed to establish this body and certify that the interests of each subdivision of the energy industry are appropriately represented.

A representative body serving a strategic function for codes development, as outlined above, must consider the timeframe of industry investment. There is a disparity between the speed at which energy policy changes and the moderate pace at which the energy industry can alter its activity. Because making changes to energy infrastructure is a momentous task, energy companies make long-term investments, undertaking projects that can take decades to complete. A change in energy policy each time there is a change in government therefore hinders the energy industry's ability to sustain long-term investment and discourages innovation through fear of regulation change. The industry needs consistency of direction. A representative body will therefore be an effective mediator, providing reassurance to the industry and encouraging innovation.

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

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

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

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

**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: As outlined in Question 10, ABB supports the creation of a strategic body representing market operators, local energy companies, supply chain participants and consumers that works with the government to ensure the government's vision for the energy system is realised.

Due to the current lack of strategic direction and the urgency of the government's net zero ambitions, ABB believes that this mechanism should adopt a formal function, giving government a role in the governance of the mechanism and through formal documents designed to provide the body with the specific information it needs. This will ensure that the body is effective as a platform for expertise, representative of industry and focused on the government's direction for the sector.

**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: ABB believes that the energy codes and their strategic function should have a broader role in leading the energy industry. Instead of being limited to the technical, scientific and engineering side of the industry, the codes should take a whole-system approach to the industry and could deal with broader issues, such as how we define and categorise vulnerable customers.

Example: data sharing An example of how the codes could be expanded beyond technical regulations is data openness. Currently, data sharing between energy operators is minimal, making it difficult for new energy companies to understand the market and discouraging new approaches to energy. It also makes it difficult for innovators to comprehend how new types of energy can be traded in the system, hindering the transition to clean energy. By including mechanisms, or even an obligation, for data sharing within the energy industry codes, expertise can be



shared across the industry, which can encourage innovation and flexibility and improve network resilience.

**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: ABB agrees that the code manager function should take steps to ensure all interested stakeholders have the opportunity to participate in making recommendations through the strategic body.

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

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

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

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

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

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

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

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

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

**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: As previously mentioned, the code manager function should be broad, encompassing all aspects of the sector beyond the technical side. As such, companies must be incentivised to support all aspects of the government direction, from consumer costs, to decarbonisation, to resilience. ABB believes that there is currently no effective incentive for energy companies to innovate for decarbonisation and too often the focus is on short-term reductions in consumer costs. The breadth of the incentive framework should be broad and go beyond technical network codes and short-term goals.

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

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

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

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

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

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

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

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

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

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

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

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

☒ Yes

☐ No

☐ Don't know

**Please explain.**

Comments: ABB supports the digitalisation of the energy codes, accessible via a single portal to provide users with a 'simpler experience'.

**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: Before frameworks of compliance can be established, industry should have considerable input on whether individual energy codes are realistic and deliverable, ensuring that the codes do not suggest impractical solutions where the technology is not available. This would allow representative bodies to perform a 'sense-check' function, providing expert advice on whether codes are deliverable and helping to avoid unintended consequences.

Example: BEAMA An example of a representative body is BEAMA. Representing more than 200 companies, from start-ups, to SMEs, to large multi-nationals, BEAMA is the UK trade association for manufacturers and providers of energy infrastructure technologies and systems. With a diverse range of members and an expert focus, BEAMA would be well placed to advise Ofgem and the government on whether industry codes are deliverable.

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

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

**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.

[Click here to enter text.](#)

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