



Reforming the Energy Industry Codes - response form

The consultation is available at: 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 & 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: I am writing on behalf of SP Energy Networks (SPEN), which comprises the electricity distribution licensees SP Manweb plc, SP Distribution plc and the electricity Transmission Licensee SP Transmission plc, in response to your consultation on reforming the energy industry codes. We are supportive of the moves to make the energy code governance framework simpler for customers and industry to navigate and easier to engage with. We consider, in the first instance, that codes should be consolidated by industry activity type though it may be necessary to retain separate codes for gas and electricity to ensure that related expertise is retained at the code level. We also welcome the proposal to provide clear linkage between Government policy and the strategic direction of code development which should provide much needed clarity to both industry and consumers. For this reason, we would therefore encourage the establishment of a Strategic Body and Code Management entity, as suggested under model 1. Given the rapid change which is expected across the energy system to support the transition to a net-zero economy as well as the anticipated increase in new entrants to the energy industry, we believe that all parties engaged with the code governance process should also share the costs of operating the system in a fair and transparent manner and thus avoid the costs being inappropriately skewed to one or two sectors of the industry. It will also be important that, in simplifying the current code structure, smaller parties do not feel side-lined and that their voice has been diminished on codes of relevance to them and their operations. We also believe that there is an important role for the Economic Regulator, Ofgem, to play in the future energy code process. Ensuring that those regulated parties are not unduly disadvantaged by placing additional obligations and costs upon them without due consideration of the funding implications for these businesses where a longer term (5-year) price control mechanism is applied. It is also important that the costs and benefits arising from modifications are adequately assessed against the needs and requirements for electricity and gas networks in a rapidly changing (and complex) environment. It is also important that all parties understand their roles and obligations placed upon them and that simplifying the code arrangements does not simply mean a reduction in standards being applied. The introduction of new services, industry parties and technologies will lead to more complex arrangements and interactions between industry parties. Therefore the new structure should be agile and adaptive to accommodate this whilst still ensuring that codes and rules still enable the energy networks and systems to operate efficiently, reliably and robustly as we transition towards a more flexible and carbon neutral energy system.

Questions

Name: Graeme Vincent

Organisation (if applicable): SP Energy Networks

Address: SP House, 320 St. Vincent Street, Glasgow, G2 5AD.

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.

	Respondent type
<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: Yes the four desired outcomes would provide greater clarity and direction to industry and therefore provide benefits to both the industry and customers.

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: Whilst we acknowledge the problems that currently face the energy industry and the code management issues which arise, and agree that some reform of code framework is necessary, we remain unconvinced that the proposed reforms will resolve some of the issues which have been identified and may discourage fuller participation in the code arrangements. Recent experience with reforms to the code governance arrangements seems to have exacerbated the problems which exist rather than assist the code development process.

Question 3 [page 18 in consultation document]

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

Comments: As mentioned in the answer to Question 2, we believe that recent changes to code governance arrangements have led to a more elongated modification process with a number of code modifications struggling to achieve the required quoracy levels and taking longer than expected to complete.

Question 4 [page 18 in consultation document]

Do you agree with our proposed scope of reform?

☒ Yes

☐ No

☐ Don't know

Please explain.

Comments: Yes, due to the more dynamic and integrated nature of the energy industry it is appropriate for all energy codes to be subject to the same scope of potential reform.

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: All Energy Industry Codes should have the same reforms applied for the reasons outlined above.

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

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: As the current industry model is non-preferred then the broad options identified are welcome as both provide for a strategic body and a code management function.

Question 8 [page 21 in consultation document]

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

Comments: Of the two broad options outlined Option 1 is preferable as it separates the Strategic Body from the Code Management function, thereby providing a degree of independent accountability between parties.

Question 9 [page 21 in consultation document]

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

Comments: Whilst we acknowledge the proposed change in code signatories, we are concerned that there is no role for the Economic Regulator (Ofgem) within the process. We therefore believe that this could give rise to modifications which do not reflect current or proposed regulatory practices or price control settlements and therefore may potentially lead to regulated parties bearing greater costs.

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: Yes, there is currently a lack of coordinated and consistent guidance being provided into each of the code areas, which is potentially leading to inefficiencies in dealing with modifications which cut across several code areas.

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

Comments: To provide the necessary level of strategic guidance, the government department with responsibility for energy policy and the energy regulator (Ofgem) are best placed to perform this function.

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: To avoid any mixed messaging and providing a coherent and structured approach then the body with the strategic function should be responsible for setting the strategic direction.

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: The development of the strategic direction needs to take into account the views of the wider energy industry including customers, energy companies and code managers who have a responsibility to deliver it.

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: In order to deliver an energy system that works for all then it is important that the strategic function considers all aspects of the energy landscape. This would hopefully avoid any unintended consequences (or detriment to certain classes of customer) arising if only the vision for the energy sector is considered.

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: The answers to the above are all a qualified Yes. The Code manager should have a good reason for identifying changes but in the main changes should be proposed by industry parties to resolve identified 'real and current' issues and it shouldn't allow code managers to 'create' new modifications which have little or no industry support. The Code manager should be able to make recommendations to the strategic body but these should be open and transparent to industry members. Prioritising of changes should be conducted with the consideration of all stakeholders and again the process for undertaking this should be transparent and fair to all energy stakeholders.

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: In order to maintain the same level of coherency it is important that the same approach is adopted otherwise there is a risk that the existing issues may arise.

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: As the code manager will be tasked to deliver the strategic direction, it is important that they are accountable to the body which sets it and therefore a licence or contract would be preferred. In this way the strategic body can ensure that its direction can be implemented.

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: There are some concerns that neither of the models have any accountability to industry. However, we trust that the code manager function will have the necessary skill set and understanding of the energy industry to undertake its role. We would also expect that modifications will still allow industry experts to provide relevant input into any modification proposals.

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: Whichever method is used to select the code manager, it should result in a code manager which has the appropriate skill set, knowledge and sufficient resources to ensure that code modifications can be progressed in a timely and robust manner, without adding significant additional costs to the code modification and governance processes.

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 strategic body should have responsibility for ensuring the most appropriate code manager is selected without creating an additional layer of bureaucracy and introducing additional costs into the code management processes.

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 important that the funding of the code management function is funded by all participants within the energy sector, including those that traditionally have funded the code management function, as well as new entrants. The strategic body should retain accountability for the code management function.

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: In choosing the code manager function, the most capable group in terms of code knowledge, resources and management ability whether this is an existing licensee or not should be chosen to be the code manager.

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: Either of the methods suggested, depending on the design of the framework, could be an appropriate method of ensuring value for money. The important consideration is that the Code Manager function delivers on behalf of customers and industry. Modifications to the codes are progressed in a timely and efficient which benefit the operation and performance of the energy networks, markets and systems to the ultimate benefit of GB consumers.

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: Provided that the most capable organisation is chosen then there shouldn't be any factors though the organisation should be able to demonstrate a proven record of managing complex issues and have the ability to deal with multiple different modifications simultaneously.

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: As previously stated, the code manager function should be funded by all those participants in the energy sector including new entrants. This would ensure that all parties would have the same responsibility for funding the codes required to maintain the energy system. It would be hoped that the overall costs of the new code manager function would not be greater than the costs currently incurred by the existing code management 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: Any 'quick' wins would need to be appropriately considered to ensure that the integrity of the existing requirements is maintained and that simplification does not simply mean a reduction in technical or commercial requirements to lower the barriers to entry.

Question 28 [page 44 in consultation document]

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

Comments: The option to consolidate by industry activity – dual fuel, retail, wholesale and networks - would seem to be a better option. The ability to then simplify and consolidate within each area could be further examined, though it is acknowledged that in certain areas sufficient diversity between electricity and gas that individual expertise may need to be retained.

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: One code manager would result in one 'super code' manager and therefore may result in the code manager having too much influence over the direction and delivery of code modifications to the detriment of the wider industry. Multiple code managers would reduce the reliance on a single code manager and allow a greater degree of comparison in the code management function to be undertaken, whilst retaining individual expertise to progress codes.

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: Either of Options B or C would best deliver the outcomes, as this would ensure that relevant expertise is retained to progress modifications whilst achieving the consolidation required.

Question 31 [page 44 in consultation document]

Do you agree that the codes should be digitalised?

☒ Yes

☐ No

☐ Don't know

Please explain.

Comments: As the industry increasingly moves towards digitalisation, steps should be taken to ensure that the codes are digitalised where appropriate. However, this should not detract from users needing to be aware and understanding their obligations under the relevant codes. It is important that the digitalisation and simplification of the codes does not lead to a dumbing down of standards and requirements

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: Industry should be fully involved in monitoring code compliance and in decisions concerning measures needed to address non-compliances. These may ultimately require investment by one more parties and consideration of the most appropriate solution will certainly require industry input. As noted we would still expect Ofgem to retain some role in this process so it is important that there is no duplication of roles created by this reform.

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: We believe that compliance should be assessed by an independent body – as the code manager is interpreting its own rules and therefore could offer a biased view. We also recognise that under current European network codes the national regulatory body has a role to assess compliance and the ability to levy sanctions. We believe that this should be continued under future code 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:

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