

**Response to BEIS Consultation: Reforming the Industry Codes**

We support the proposals outlined within this consultation.

The industry code framework has evolved over time. Each new industry code that has been introduced has been done so for a valid reason. This has however led to a governance arrangement that now includes a considerable number of industry codes. These each have different administration models, different mechanisms for engagement, accession, funding and compliance enforcement.

This complex arrangement is a consequence of an evolution of the energy market without a strategic consideration for how the governance arrangements should best operate. Now with the significant changes that are occurring in the energy sector it is a good time to assess whether these arrangements should be reformed.

The key observation in the consultation that the industry codes could benefit from simplification and rationalisation are hard to argue against. There are many examples we have experienced over the past few years where reforms and changes in industry have taken longer than they should have because of the need to amend multiple codes to resolve a single issue.

The incentives on individual code administrators are not aligned with implementing change that crosses different codes. This is a significant problem to delivering innovation and improvements. Addressing this issue is key to speeding up the change delivery process and a better use of time than concentrating on the funding model for a code administrator, which is often focused upon in debate about code governance.

The logic of rationalising the current industry codes into a single uniform one has significant merit. This would make engagement with the regulatory framework easier for parties and aid new entrants and would potentially align with longer term reforms to the licencing regime that have recently been considered by Ofgem.

Our preference would be to see the industry codes rationalised into one single code and the implementation of an Integrated Rule Making Body (IRMB) to administer it.

The IRMB function would logically best be located within Ofgem. Probably ring fenced in a similar way to their current e-Serve function. This would provide the IRMB with the required legal powers and basis to implement change and enforce compliance. However, should Government consider reforming the roles of Ofgem, BEIS and the ESO there may be a justification for this view to change.

The accompanying impact assessment lacked detailed costs and benefits but implied that reforming the code governance arrangements should be cost neutral. We would agree with this conclusion. Our own assessment<sup>1</sup> of the current industry code framework suggests that operating costs to industry are in excess of £55 million per year and that central systems (excluding DCC costs) add another £99 million of cost. This is a significant annual budget which should be able to fund the implementation of a successful IRMB service within Ofgem.

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<sup>1</sup> Confidential Appendix – Industry code costs

Our key concern regarding the successful delivery of these reforms is the political commitment from Government and Ofgem. There have been a number of previous initiatives to reform industry code governance and all have floundered. Reform on this scale can not be left to industry to implement. Code parties are not resourced to implement industry projects of this nature and the current code administrators have a clear conflict in interest in delivering change that will end their business model.

Success in reforming the industry codes arrangements will depend upon the commitment from Government and Ofgem in the form of leadership and suitable resources.

Another key concern is that this is a large piece of work and should not be rushed. It should be given the time, and industry engagement that is required, to deliver a robust code governance framework, whilst recognising that the project needs to keep momentum once requirements are determined.

### **Answers to consultation questions:**

#### ***1. Do you agree with our four desired outcomes for the code governance landscape by the mid-2020s? Yes/No/Don't know. Please explain.***

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

Yes. It is difficult to argue against the four outcomes being sensible and desirable. These represent a sound set of objectives for a future industry codes manager or IRMB.

An exception is potentially the desired outcome for the code framework to be "forward-looking, informed by and in line with the Government's ambition and the path to net zero emissions". It is sometimes not clear what Government's ambitions are regarding different aspects of energy policy.

Differing Government departments often have different agendas and interpretations of priorities. Government priorities change over time in response to the views of the differing political parties in power and to world events. Suggesting that a code framework should be able to predict this future path is likely to be unachievable in practice.

It would be sensible to link an outcome of the framework to support legal commitments associated with energy policy (e.g. meeting climate change targets). Outcomes that have been agreed by the legislative process would provide greater certainty for the code framework and provide a basis by which it could be objectively measured as to whether it was performing well over time.

The secondary aspect of this desired outcome to "ensure that codes develop in a way that benefits existing and future energy consumers" is more reasonable and is similar to the principle objective of Ofgem.

The intent of this appears clear and something that would be usefully included into the objectives of the new code manager to provide them with clarity around their role in supporting energy consumers.

**2. 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.**

Yes. The observation that the current energy industry code framework is fragmented and slow to implement change has been recognised for some time.

Putting a robust framework in place that supports the development of efficiencies for the consumer rather than individual party agendas can only be a positive.

Before the CMA investigation highlighted the issue with industry codes, Ofgem had undertaken a series of 'Code Governance Reform' exercises, a consequence of the issues that were already apparent with the governance arrangements.

Implementation of reforms to improve the situation has remained elusive. It requires significant time and effort to amend the existing structures and implement reforms. A commitment to delivering change requires sufficient resource to ensure that change is implemented.

Too often in the past this commitment has not been provided by Ofgem and therefore reforms have stalled. It is not viable to suggest that 'industry' provides the resource to deliver the required reforms. Conflicts of interest from existing code administrators and a lack of tangible value to existing industry parties will make an 'industry' led set of reforms impossible to see delivering the outcomes envisaged within this consultation.

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

Yes. There have been numerous attempts by industry to implement innovation and regulatory reforms to improve the market for consumers that have taken more time than they should have due to the fragmented nature of the codes framework.

Examples of this include the recent reforms to the arrangements to reduce the number of Erroneous Transfers by customers that has been delayed by the competing nature of differing code administrators making joint working across industry codes difficult.

Many industry code changes have been implemented in a time consuming and disjointed way due to this lack of co-ordination. An example of this being BSC P272 where corresponding changes between the BSC and DCUSA were not understood and co-ordinated as the code administrators only had a narrow focus of responsibility to their own codes.

Vested interests blocked the merger of the Green Deal Arrangements Agreement (GDAA) and the Master Registration Agreement (MRA) even though this would have simplified the code arrangements, reduced costs to the industry and made change that would improve consumer outcomes easier. It could be argued that the Faster Switching consequential changes review of codes could have been simpler post code reform than pre-code reform.

However, there are also numerous examples of how the existing arrangements have delivered beneficial change for energy consumers and answered challenging timescales set by the Government.

An example of this is the implementation of the Green Deal arrangements. A scheme devised by Government and imposed upon the electricity industry. Government set industry very challenging, politically motivated timescales for the implementation of new IT systems and industry governance. The industry codes answered this challenge and implemented the

required systems to meet the Government's mandate. This provides evidence that the current codes governance framework can deliver change and that it is not entirely dysfunctional.

***4. 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?***

Yes. The scope of the proposed reforms, to include all industry codes, as well as the smart metering, electricity and gas central systems is sensible if the desired outcomes are to be achieved.

Including the central systems in the scope of the reforms highlights some of the challenges that the code manager or IRMB would face. The entity would have to include a broad range of skill sets from policy understanding, economic modelling, change management, technical understanding, IT procurement, contract management, stakeholder management and communication.

The provision of a good service will be highly dependent on the quality of people employed in the new organisation and the amount of resource made available. We would envisage that staff from the current code administrators and service providers would potentially transfer to the new organisation.

On an enduring basis these could be supplemented by additional subject matter experts and the use of relevant specialists. Our own analysis of the costs of the current industry codes framework indicates that there is a significant cost involved which would provide a reasonable budget for the new entity.

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

No. There would seem to be limited justification in excluding any specific codes or central systems from the proposed reforms.

There is a separate question as to how the reforms may be implemented. Each code has its own issues and complications to be resolved. Many have commercial contracts that would need to be novated to the new organisation. Some have directly employed staff in different locations around the country and others include personnel who work part time on the industry code administration whilst working for another organisation.

Resolving these issues are all possible via a controlled project but it will require planning and co-ordination to ensure that it occurs in a smooth and optimal way and that no unnecessary risks are introduced to services that the industry relies upon.

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

**Providing strategic direction** – The scope of the strategic direction, how this would be agreed and how accountability for its delivery would be measured are not particularly clear. The overarching intent for the IRMB to provide a strategic direction to the industry sounds a useful activity and there is more work to be undertaken in this area to define what this means in practice.

**Empowered and accountable code management** – We agree with the scope and the suggestion that to deliver this properly will require suitable resource and funding. Being responsible for enforcing non-compliance with industry codes and regulation implies that the

IRMB or code manager would need to have appropriate legal powers. If this role were to be undertaken by Ofgem then this wouldn't present an issue. If a different organisation were responsible, then it would probably require a change to legislation.

**Independent decision making** – All current industry codes that have an impact upon the market or customers have a change process where decisions on a proposal, go to the Authority for approval, with the industry having defined powers of appeal. The implementation of the proposed reforms would not therefore be too different from today from a parties perspective with regards to code change should Ofgem undertake the IRMB role.

If another organisation were appointed as the IRMB or a code manager with the powers to raise, assess and make decisions upon change then a clear set of objectives would need to be established for them to follow. In practice these would potentially look quite similar to those in place for the Authority at the moment. There would need to be consideration as to who they were accountable to and what the rights of appeal industry parties would have.

**Code simplification** – Cornwall Insight's recent work on reviewing the codes on behalf of Elexon demonstrated that a significant proportion of the current industry codes are replicated in each code. Consolidating these 'boiler plate' provisions would therefore reduce the size of the industry codes and leave individual schedules for different aspects of industry regulation.

The logic in consolidating the codes makes a lot of sense and potentially fits with a future model of regulation where aspects of the licences and codes could be applied to different organisations operating in different sectors of the market.

The practical activity of merging the codes is not too difficult and could be delivered relatively quickly. A common plain English approach to text would assist industry parties in understanding the relevant obligations.

The logic of code simplification suggests that it would preferable to have one single code as the ultimate outcome from these reforms. Any continuation of multiple codes, even if it were just three, will risk that the current issues of duplication, cross code working challenges, etc would persist. If the codes are to be simplified and consolidated the logical answer must be to have just one code.

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

There doesn't appear to be a material difference in the two models from the perspective of how the reforms would impact upon industry parties.

In either scenario the IRMB or code manager would have to be provided with the relevant legal powers to implement change to regulations and enforce compliance by industry parties.

They would appear to industry parties to combine the roles that Ofgem currently undertakes in the code governance framework with the code manager. This is a sensible idea as it will make the process more efficient and reduce delays in assessing and deciding upon change proposals.

The key element to this approach working is ensuring that there is a holistic view applied to changes and that, if SMEs are called upon for their knowledge, all SMEs are consulted and not just those covering elements of initially impacted obligations. Excluding some experts might fail to highlight a less obvious, but equally important, area of impact.

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

As described in our response to question 7 there shouldn't in theory be a material difference in either Option 1 or 2. There are pros and cons to both models.

The objective should be to implement a model that will ensure that the highest quality service is provided to support the industry code framework. In option 1 there is a risk of conflicts of interest and accountability for service management between the code manager and the strategic body. These are not insurmountable, and the use of a contracted industry manager has potential other benefits, such as the introduction of competition to drive efficiencies in cost and potential service levels.

Option 2 reduces these risks by having all functions employed within the same organisation. One issue that has arisen with the current framework, where the administrator is limited to delivering the function of that specific code, has been an ability to motivate and retain staff.

Option 2 would mitigate some of these risks by having a much broader remit for the new IRMB than the current code administrators. The suggestion that an existing organisation such as Ofgem or NG ESO undertake the IRMB role would additionally assist in mitigating this risk.

Option 2 doesn't restrict the IRMB from outsourcing some aspects of its activities if this was felt to be the optimal solution. What this option does provide is clarity as to where accountability for the provision of services would reside.

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

We have some concerns regarding how the voice of industry parties will be heard in the proposed reformed codes structure. We appreciate that the consultation recognises the value that industry brings to debate regarding change and that it is anticipated that this would continue.

How this would be achieved will be vital. In a scenario where the code manager/IRMB may raise, assess and implement change there is a real risk that industry may perceive the process to be closed and to not consider that there is a value in engagement.

This is a risk that the new framework will have to manage. It highlights the importance that stakeholder management and communication will be for the code manager/IRMB to ensure that they are successful and meet the desired outcomes from the reformed regime.

**10. 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.**

Arguably this function is already within the remit of Ofgem. They are engaged in the industry codes process, have powers to implement strategic change via the SCR process and are best placed within industry to understand the Government's policy and strategic objectives.

If they feel that this role needs to be explicitly set out in their remit or to be established within another entity, then this may be helpful in ensuring that it occurs in a successful way.



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

Logically this function should sit within Ofgem. It isn't clear as to why NG ESO would have the required scope, understanding of all issues (e.g. retail, smart metering, gas) and viaries to undertake this activity.

A new and separate organisation could be established, funded and provided with sufficient resources to undertake the activity. This seems both inefficient, as it would duplicate activity already undertaken by Ofgem in understanding energy policy issues and would also not have the support functions that Ofgem already has that any organisation would need (e.g. finance, HR, locations).

There is also a risk having a separate Strategic Body to Ofgem that has differing opinions and views. This may complicate the regulatory regime that organisations face and increase the risk that business face, ultimately leading to higher costs for consumers than is necessary.

***11. Do you agree with the objectives and responsibilities envisaged for the strategic function, and are there any additional objectives or responsibilities the strategic function should have?***

These seem a reasonable set of objectives and responsibilities.

It isn't clear from the proposed reforms as to where the compliance with industry regulations and industry codes would be determined and potentially what sanctions should be applied to parties found to be in breach.

It seems to suggest that the code manager function would be responsible for monitoring compliance and reporting upon issues. It is then implied that these would be determined upon by the strategic body.

If this is the intent then it should be a clear stated responsibility of the strategic body.

Their approach to enforcement would be something that industry parties would be interested in understanding as it would have a direct consequence to them. A potential route of appeal against decisions by the strategic body for non-compliance with industry codes should also be clearly set out to provide clarity to industry parties.

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

This may depend upon whether a separate code manager is appointed (option 1) and whether the role of the strategic body is undertaken by Ofgem.

If option 2 is selected and Ofgem undertakes the role of the IRMB then the potential for conflicts of interest, duplication and confusion are mitigated.

If the strategic body and code manager are separate organisations to Ofgem then there is a risk that each will develop their own agendas which may compete with the Government's policy and the interests of industry parties.

***13. What are your views on how the strategic direction should be developed and implemented (including the option of establishing a strategy board to aid engagement)?***

A consultative process is a necessity to capture the views of as many different organisations as possible. The process for agreement of the strategic direction needs to be transparent and be engaging.

It isn't entirely clear what value a formal strategy board might provide. Gaining input into the process from as many different interest groups is key to ensuring that it is fit for purpose and relevant.

Having the strategic direction formerly approved by the Secretary of State responsible for energy policy is a good idea. Without a link to Government policy and a formal approval process there is a risk that the strategic direction will not be seen to have legitimacy.

The proposal suggests that the strategic direction should have a 1-3 year timeframe. This sounds potentially too short and as a consequence would only capture reactive change needed in the near term.

It would provide greater value to industry and to the code framework if it set out longer term aspirations where significant change may be needed to regulatory arrangements or central systems.

***14. Do you think that the scope of the strategic function should be limited to taking account of the Government's vision for the energy sector and translating it into a plan for the industry codes framework, or are there other areas it should address (for example, impact on vulnerable consumers)? Yes/No/Don't know. Please explain.***

Care should be taken to clearly define the role of the strategic function and to ensure that its intent, to align strategic change with Government energy policy, is not undermined by too many competing objectives.

Government energy policy should take differing issues and interests into account. It would be counterproductive to re-run the debate on these potential trade-offs in the proposed strategic function as it risks differing answers being concluded and therefore undermining Government energy policy.

There is a clear role for the body to help shape Government policy by providing relevant feedback on the challenges, timescales and ability of the energy industry to implement change to support a new policy initiative.



***15. 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;**
- b. making decisions on some changes, or making recommendations to the strategic body; and**
- c. c. prioritising which changes are progressed.**

Yes, although it isn't clear as to what changes they should approve, and how, and what should be sent to the strategic body for a decision.

This is only an issue for option 1 of the proposals, with the IRMB approach the same entity would be making a decision and it would simply be a matter of internal processes.

However, for all three responsibilities, there would need to be clear objectives and principles to ensure a consistent approach and measure is applied.

***16. What is the best way to ensure coherent end-to-end changes to the codes and related systems? For example, is it through having end-to-end code and system managers?***

Yes, the most logical way to ensure that change is co-ordinated is to have a single entity undertaking the activity. Any fragmentation that is introduced will reduce the coherence of the codes framework.

***17. 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.***

This would depend upon the number of codes and central system providers that are needed.

Central systems are provided by a multitude of 3<sup>rd</sup> party IT contractors so there will always be a case of managing some degree of co-ordination by service providers. Having a single entity responsible for this co-ordination will be helpful and ensure a more efficient approach to the deployment of future IT systems.

***18. Do you agree that the code manager function should be accountable to the strategic body and that this should be via a licence or contract? Yes/No/Don't know. Please explain.***

Yes, in option 1 the code manager should be accountable to the strategic body.

Experience with the DCC licence and the various contracted code administrators' demonstrate that the contract model is favourable. A price control framework for a non-monopoly asset service has proved to be complicated, challenging to enforce and delivers questionable quality results.

Code management is an administrative function, including aspects of contract management and procurement. These skills sets are not unique to the energy sector and are readily commercially available.

The unique skills that the code manager possesses regards the knowledge of industry processes, regulation and the governance functions. This knowledge is to be found within individuals rather than an organisation.

Risks around changes with who provides the code manager service need therefore to be managed by the application of TUPE regulation and potentially the use of contracted subject matter experts. Managing this risk should be a function of the strategic function in option 1.

***19. 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.***

Any other approach would likely result in a model very similar to option 2.

***20. 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.***

Under option 1, with a defined set of clear requirements set out in a relevant licence, there is no reason as to why the code manager could not answer to the industry.

However, this would introduce additional complications regarding performance management and accountability between the industry and the strategic function. It is therefore logical to suggest that they should be accountable to the strategy function from the outset. If the code manager's objectives are initially agreed and set by both the strategic body and industry, that should act as a sense-check for a reasonable approach.

***21. Do you have views on whether the code manager function should be appointed following a competitive tender process or other competition? Yes/No/Don't know. Please explain.***

Yes, a competitive tender process should be followed.

***22. Do you think the code manager function should be established by the strategic body creating a body or bodies? Yes/No/Don't know. Please explain. If the code managers were established in this way, would we need to consider any alternative approaches to funding or accountability? Yes/No/Don't know. Please explain.***

The strategic body would need to have a legal entity to contract with a potential commercial service code manager (as well as other services). They would also need to have procurement and other specialists to support the choice of commercial service providers.

The need to create a body to undertake these functions demonstrates that the strategic function would be more than just a group of individuals or board.

This highlights the inefficiencies that option 1 presents over option 2 and also the logic in an existing entity, such as Ofgem, undertaking this function.

***23. In terms of establishing/choosing the code manager function, do you agree that we should not consider further:***

***a. requiring an existing licensee to become the code manager; and/or***

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

***Yes/No/Don't know. Please explain.***

Yes, it isn't clear that this would be needed, the strategic function should be capable of managing the processes more efficiently than having to rely upon a group of industry parties.

***24. What would be the most effective way to ensure the code manager function offers value for money (for example, through price controls or budget scrutiny)? More broadly, what is the right incentive framework to place on the code manager function? Please explain.***

From experience of the DCC and commercially contracted code administrators the most effective mechanism is to define a set of robust KPI and incentivise the delivery of a good service from them.

Budgets for code management activities will be driven by the number of changes and the needs of the industry over the course of a year and can best be managed via a transparent and open budget setting process.

***25. Are there any factors that:***

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

***b. should prevent parties from becoming a code manager (e.g. do you agree that licensees should not be able to exercise control of the code managers)?***

It is difficult to envisage a set of factors that would stop an entity from becoming a code manager considering the type of activities that it would undertake (i.e. mostly administrative).

It would have access to sensitive commercial information regarding the market. It would therefore need to be clearly ringfenced and separate from any active energy market participant.

This separation would also be needed to manage any potential issues of bias with regards to changes to code rules that may raise and approve.

A further area that it may be open to potential conflicts of interest regards compliance monitoring, particularly if there is not sufficient clarity around its business separation from any code party.

These issues are a clear risk and therefore it is right to suggest that code parties should not become the code manager. How potential service providers who are part of a wider group of companies that includes a party to the code should be managed is something that would need further clarification.

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

This question is equally applicable to the strategic function. Both would incur costs and both will need to be funded. A model recovering costs from all parties to the code is probably most attractive and logical although this brings issues of bad debt management, should an entity go into administration or not pay their bills.

A perceived easier route may therefore be to recover costs via the Ofgem licence fee and allow them to be recovered as a pass through from network costs from all consumers. This doesn't however mitigate the risk to industry and consumers completely as managing network Use of System bad debt creates costs for the industry and consumers.

Either route is ultimately viable, what is important is the consideration of credit cover arrangements that are in place for the parties to the code framework and how robust the

financial management of collecting fees is. If this is robust then it should mitigate the risks from bad debt.

In option 2, if Ofgem does undertake the role of the IRMB then there is an existing route for the recovery of costs via licence fees.

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

This may depend upon what option is ultimately adopted. Establishment of the Strategic Function within Ofgem could occur relatively quickly and act as a steering and control function for the amalgamation of the other codes.

In option 2 the initial establishment of the IRMB could occur through the transition of Elexon to form the initial organisation. The National Grid ownership of Elexon could be transferred to Ofgem. The new organisation could grow in logical phases as code administrators and systems providers are transitioned. Having an initial nucleus of staff would provide support for Ofgem/BEIS in getting the reforms started.

Although the new REC code may have many of the features suggested for the new code framework it does seem odd to be establishing a new code now, putting in place new contracts with code administrators and service providers, when it is the intent of this consultation to fundamentally reform the arrangements.

The code risks being implemented and start supporting live operations for the new customer switching arrangements in 2023 and then be replaced within 2 years by a new arrangement.

It would therefore seem prudent to implement this new code as part of the proposed reformed arrangements by making it the first code to transition.

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

Ultimately the model selected for the future governance of the industry codes and the structure of the codes may have more practical impact than the actual number of codes.

If the same code manager was responsible for the administration of all the codes then it would mitigate some of the issues of cross code change management that is often currently seen. Evidence of this comes from the current codes where the same code administrator is responsible for managing a number of different codes. Managing change across these codes proves to be much simpler. The code administrator often applies common approaches to communication, websites and the code appearance which makes engagement with those codes an easier task.

The arguments for simplification of the codes are strong. The evidence from Cornwall and NG ESO regarding the benefits from potential code rationalisation supports this proposal. Following this logic it would seem preferable to consolidate all industry codes into one single code.

In this model different schedules could govern different activities and would be applicable to different parties depending upon the role that they undertake in the industry. Digitalisation of the codes can help facilitate this and the structure of engagement can be tailored for different constituencies of industry party.

This already occurs within the industry codes governance arrangements and would therefore be an evolution of existing practice. An example of this is within the SPAA industry code where a separate change control arrangement and engagement strategies exist for metering agents to govern the MAMCoP schedule.

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

A future governance model where there is more than one code could potentially work with more than one code manager.

However as explained in the answer to the previous question the more code managers that exist the greater the issues of cross code working, differences in approach and the overheads needed to ensure co-ordination of change activities.

These create inherent inefficiencies and therefore it is our preference to ultimately have a single code manager.

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

A single consolidated code with a single code manager who has the broad skills and expertise needed to manage all aspects of the industry.

A single code would be easier for industry parties and new entrants to understand and engage with. It would make implementation of change that affects different aspects of the industry easier. It would provide more options for people employed within the code management function to share their knowledge and have an interesting and varied career path, which would motivate them to stay and continue to provide the valuable experience that they provide.

It would also allow a single organisation to take a holistic view of the central IT systems that the industry relies upon. To manage changes to these in an optimal way, to ensure that it is looking to deliver for the future requirements of the industry and that it is not creating challenges of too much change at any one point in time.

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

Yes, this is a good initiative, it will make the codes easier to understand and will support change to them when it is needed.

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

Having an independent body accountable for monitoring and enforcing compliance, supported by appropriate legislative powers is preferable to industry self-governance.

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

Option 2, the IRMB model, is preferable for ensuring effective monitoring and compliance.

Ofgem already has the required enforcement powers and experience.

If option 1 were to be adopted, then there would need to be a clear split of activities. The contracted code manager would be required to undertake the monitoring, reporting and potentially the investigation into compliance breaches.

Decisions on what action to take would need a body with the relevant legislative powers to impose financial fines and ultimately withdraw the ability for an organisation to operate in

the market. This logically would be Ofgem although with legislative change it could be another entity.

Ultimately the splitting of the functions from a management perspective seems inefficient and therefore we favour option 2.

This doesn't preclude the IRMB from outsourcing relevant aspects of the activity should this be considered the most effective form of delivery but the management and responsibility for the compliance regime would clearly be accountable to a single entity.

***34. With Model 2 - integrated rule-making body - should the IRMB have responsibility for imposing measures (where a party is non-compliant with the code) or should this be for another organisation?***

Yes, the IRMB should have these responsibilities, although consideration should be given to an appeal process for decisions that they make. This should involve someone independent of the IRMB. The process for appealing decisions should be easy to engage with and not act as a barrier with unnecessarily high costs. The appeal mechanism should be transparent and provide reassurance to the industry that the process is fair.