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## **Ørsted response to the consultation on reforming the energy industry codes**

Our ref. CHINW/OLIXI BEIS Codes

The Ørsted vision is a world that runs entirely on green energy. In the UK, we develop, construct and operate offshore wind farms, battery storage, innovative waste-to-energy solutions and provide smart energy products to our customers. We also offer flexibility solutions to our industrial and commercial customers as well as supplying them with electricity and gas. Headquartered in Denmark, Ørsted employs 6,300 people, including over 1,000 in the UK. Ørsted is the largest offshore wind farm developer, generator and owner in the UK.

We welcome the opportunity to respond to the proposed reform of the energy codes governance framework. The power sector is undergoing a period of rapid transformation, and we believe the timing is right to review the energy codes that govern the industry to ensure they are fit-for-purpose. The way we produce and consume energy is rapidly evolving and the governance arrangement in the code framework needs to reflect the increasingly diverse range of market players and business models that are being implemented to facilitate the green, smart, and flexible energy system of the future. At present, the code modification process is strained by the volume of modifications that are being made, and industry is similarly constrained to participate in all discussions surrounding the codes.

In considering the proposals outlined in the consultation, we have identified four areas of reform to better facilitate policy aims, preserve clarity for code signatories, and enhance consumer outcomes.

### **1. The UK's net zero decarbonisation ambition should be integrated into the strategic direction of the energy code framework.**

The current codes provide the framework to ensure functioning of the market that meets several criteria of each code. For example, the CUSC sets criteria for modifications to meet objectives around efficient discharge of licensee obligations, facilitating competition, compliance with other regulation, and promoting efficient administration of the code. We believe that making more reference to decarbonisation and improving system flexibility with regards to objectives that the

codes take on will help promote and accelerate the overall direction of the industry and economy.

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We believe that a net-zero economy will require a zero-carbon power sector, a challenge that will become more difficult as we seek to remove the increasingly smaller amount of emissions from generation. As we head towards meeting this objective, code modifications and code governance should be minded to promote solutions that can produce further decarbonisation.

Additionally, work that promotes system flexibility could also benefit from a similar level of inclusion into the strategic direction of the codes, which would therefore meet further policy and industry objectives to operate in a responsive energy system that matches supply and demand. These objectives could be built in within a Strategic Body or Integrated Rule-Making Body. Embedding these strategic objectives will provide clarity to all participants on the direction and end-goal of the codes.

## **2. Rationalisation of the codes is crucial, but should not be confused with simplification, which can have unintended consequences.**

We understand the rationale behind the Government's intent to simplify the codes. We agree that it can be inaccessible, requires a lot of resource from regulator, administration and industry input to change, and therefore has a lot of aspects that can be optimised. We believe the best way to approach this is with rationalisation, which is not the same as simplification.

Rationalisation of the code means increasing accessibility whilst retaining the clarity of legal definitions and the certainty in the processes and standards the codes outline. There can be a lot of benefit in retaining robust language, which prevents misinterpretation and mitigates against potential gaming behaviours.

Rationalisation is not necessarily making the code shorter but rethinking its overall structuring and accessibility to make it as approachable as possible. To a large extent, we can agree with the measures outlined within the consultation:

- Removing old, unused codes and clauses;
- Using plain English to the extent possible;
- Making the codes fully digital and accessible. Having the ability to create a search, finding all codes that relate to that term will improve robustness and provide assurance in carrying out diligence. The search capability should also be legally robust so that it is a dependable feature of the digital code. Additionally, if definitions can be clickable (i.e. produces a pop-up with the definition) it will avoid lots of back and forth between documents

However, we also see that any principles and outcomes will need to be kept at the strategic level as opposed to having principles embedded into codes that then becomes open to interpretation and reducing legal certainty in how industry interacts with each other. Caution needs to be taken in applying an outcomes-based code as it can make processes and requirements too interpretative and risks opening up the code to extensive judicial review by participants seeking clarity, which is costly and inefficient. Extended resolution via the courts is not the point of industry self-governance, which we think is the right model of governance.

### **3. Consumer interests should continue to be embedded within Code developments**

Consumers need to get the best value from an efficient energy market that is underpinned by industry codes. We believe that the industry should continue to leverage its expertise to drive industry changes for the benefits of consumers. Consumer representatives shall continue to play an important role in code developments to ensure the interests of consumers are fully considered. We think they can carry on playing an important role in the relevant code panels, to continue to scrutinise and represent consumers when decisions on code modifications are moved into the review stage.

Please do not hesitate to contact me ([chinw@orsted.co.uk](mailto:chinw@orsted.co.uk), 07854 225866) should you have any questions about our response.

Yours sincerely

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