



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: IMServ is one of the UK's leading data collection and energy metering experts focussed on the non-domestic sector. IMServ works with energy suppliers and energy customers to deliver metering and data collection services, along with online data visualisation tools, that give customers the freedom to manage their own energy analysis by providing access to data intelligence on 'how', 'when' and 'where' energy is being used.

IMServ's activities are governed through aspects of the BSC, the MRA and the SEC, as well as the MOCOPA, AMICOP and MAMCOP. We have 25 years experience their operation, and we are an active participant in both their operation and upkeep. We are therefore very familiar with the current codes with their complexities and welcome this review.

There is an aspect of balance missing from this consultation. The current codes are not just about implementing change: they are also about ensuring safe and fair day-to-day operation of a complex energy system. They bring certainty of execution and manage risk. Whilst there are problems, which have been articulated in this consultation, with strategic management, cross-code co-operation, vested interests and the pace of change, a balance needs to be struck to improve these whilst preserving what is good about current code governance code practices, which includes day-to-day execution of the codes which ultimately are in the interests of consumers. Preserving what is good about current code governance is just as important as introducing more effective strategic change processes, and a more balanced review of this is what is needed here.

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.

| | 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: IMServ agree with the four desired outcomes to have a regulatory landscape that is forward-looking, inclusive, responsive and simple. It is in everyone's interest to take us forwards efficiently to meet the impact of the zero-carbon challenge on the energy system.

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: A persuasive case is made highlighting the current problems and issues. The current codes and regulation systems have done a good job in bringing us to this point. The arguments do not consider what is good about the current arrangements and how this is preserved. The current codes are technically sound, generally fair and balanced, and industry participants engage fully with them and their upkeep. However, overall, the scale of the transformation needed now in the UK Energy system requires a different approach, and therefore it is time to consider if the current arrangements meet the challenges of the future.

Question 3 [page 18 in consultation document]

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

Comments: [Table 1](#) sufficiently documents the current challenges

Question 4 [page 18 in consultation document]

Do you agree with our proposed scope of reform?

☐ Yes

☒ No

☐ Don't know

Please explain.

Comments: The scope includes the major codes but has missed some of the minor supporting codes such as SMICoP, AMICOP, etc. Whilst some of these are already proposed to be incorporated into the REC, it is important that all codes are included and nothing is omitted.

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

Comments: Additional codes: AMICOP, MAMCOP, SMICoP, MoCOPA
Additional systems: MPAS, central switching and information systems

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: Everything should be in scope to reform, but the extent of the reform should vary to the degree needed.

Question 6 [page 21 in consultation document]

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

Comments: We agree with 3 of the 4 elements of reform: strategic direction, boosting code management and code simplification. We do not agree with independent decision-making as proposed.

A strategic direction will help everyone and a clear, stable articulation of the way forward for the industry will encourage investment for the longer-term by all participants. A concern here is that it does need to be stable: lowering strategic uncertainty is important to giving confidence and longevity to all market participants. It should be detailed enough so that all levels of market participants can clearly see what course is plotted for them. The current situation where Ofgem announce they are going to look at the future of certain aspects of the market (such as the review of the role of supplier agents) and then take years to come to a decision is not helpful.

Boosting code management with greater expertise to make it best practice will be another step forward. The current processes, whilst delivering good outcomes, can be slow and cumbersome and hampered by a lack of broad cross-code expertise.

Code simplification will make everyone's life easier. It is not just a barrier for new entrants, but also a complex issue for existing market participants to monitor and understand the plethora of codes and their multiple regulation.

We are concerned about independent decision-making. Our preference would be to move towards "inclusive decision-making". Whilst we agree that moving away from industry-centric decision-making will help to prevent vested interests from blocking or slowing change, it is equally important that the industry is included in decision making. Good decisions need to be supported by the majority of the participants that they affect to get buy-in. Without this, risks such as non-compliance and legal recourse by participants are increased.

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: Yes, they are two logical options

Question 8 [page 21 in consultation document]

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

Comments: At a conceptual level, the second option should be more effective as there is less need for back-and-forth and between the strategic body and multiple code managers, which will slow decision-making. The first option has these issues by design.

Whilst a single integrated strategic body and code manager will overcome these issues, will it be so large that it loses its specificity and agility?

Question 9 [page 21 in consultation document]

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

Comments: The tables present a move away from self-regulation, prioritisation and approval and places the responsibilities for these things into government bodies. Both approaches have positives and negatives. IMServ believe that a hybrid of the two approaches should be explored to see if a balance can be achieved that preserves the best of both approaches.

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: Regulation to support a comprehensive strategic agenda has been absent for 30 years. Whilst there are occasional interventions by the government and the regulator to affect change, there have been problems with these programmes as they often happen outside of the normal governance processes, requiring new (and often) delayed decision-making processes to be established. A new strategic agenda for regulation is therefore welcomed as it will give all participants in the market a clearer view of the future and encourage both investment and innovation in an effective, rather than piecemeal, manner.

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

Comments: Logically, Ofgem would be best-placed to fulfil this role. There seems little benefit in creating a new strategic change management function separate from the regulator – the two activities should go hand-in-hand.

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: Yes, we broadly agree with the stated objectives, but wonder if they miss some of the current responsibilities of the existing code managers. As part of the strategic body's purpose is to oversee and approve of the work of the code manager(s), it is important the scope of interest at the strategic body covers all of the work of the code manager(s). Not all of this is a strategic nature. Having removed the ability of the industry to hold the code manager to account, it is critical that someone has an interest in ensuring the delivery of non-strategic issues. Not everything is strategic – the day-to-day needs to be delivered and achieving the right balance in these things is important. A poorly executing retail market is not in the interest of consumers.

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: A concern that we have is that the strategic body and therefore the code managers become too focussed on strategic change issues to the detriment of day-to-day issues and operational execution of the codes.

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: We do think that the industry stakeholders should have a voice on any strategic board to ensure that the strategic direction of the industry is sufficiently grounded in the current reality as well as considering the future. We believe that this is a weakness of the proposed set-up: that in its efforts to take control away from the industry itself, it is going too far in the opposite direction to the point where it is excluding them from key decisions. Working together will deliver the best outcomes.

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: Table 3 shows the strategic body as responsible for holding the code managers to account, approving mods and leading significant change. If this work is limited to just working on the government's vision for the energy sector and ignores all other issues, alternative arrangements will need to be created to look at these separate issues. How would prioritisation work in these instances? How could the code managers work on things that need doing but are outside of the scope of the strategic vision? For these reasons, the strategic body needs to include both the strategic and tactical elements for all regulation and code issues that face the industry.

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: With appropriate governance, all of these things will improve code management

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: Sometimes it can be easier for a code manager if all of the moving parts of a change are under its control: i.e. the code and the systems that deploy the change. Therefore, we can see why there is such an argument. However, we also feel that this can also lead to a tendency to develop solutions to changes that are isolated to the code and systems under that code manager's control. This is not always the optimum solution, but the easiest one to deploy. This situation should

be avoided. We do not believe that code managers and system managers need to coalesce to ensure a coherent approach. More coherence can be achieved through better alignment and co-operation of code managers and taking a broad view on potential solutions to support changes.

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: *If the goal is simplicity, then consistency is important.*

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: *In part, as we feel that the code manager should be responsible to both the strategic body and the industry. A contract would seem to be the most appropriate tool for this purpose.*

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: *No comment*

Question 20 [page 36 in consultation document]

Do you agree that we should not consider further a model whereby the code manager function is accountable to industry?

☐ Yes

☒ No

☐ Don't know

Please explain.

Comments: *We think that the code manager function should be accountable to both the strategic function and the industry to enshrine co-operation and working together.*

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: It depends on the final model adopted, but as a principle, IMServ believes that services should be competitively procured.

Question 22 [page 37 in consultation document]

Do you think the code manager function should be established by the strategic body creating a body or bodies?

☐ Yes ☒ No ☐ Don't know

Please explain.

Comments: The code managers are already established. Depending on the model chosen, a process of adopting these bodies into the new framework should be used to prevent expertise loss and ensure continuity.

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: No comment

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: No comment

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: Competition through procurement is our preferred mechanism, with appropriate mechanisms for ongoing benchmarking.

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: We do not think that any single licence holder should be able exercise control of a code. A group of licence holders is preferable.

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: Current arrangements should continue.

Question 27 [page 44 in consultation document]

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

Comments: We would like to suggest a moratorium on any new codes in the period between this consultation and its eventual enactment to prevent further code proliferation.

Question 28 [page 44 in consultation document]

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

Comments: Option A - a single unified code would be the ideal.

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: If we move to a single unified code, then a single code manager will be required. This would be advantageous for consistency of approach.

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: A single unified code will give the best outcome as it will be the easiest to use and provide the most consistency

Question 31 [page 44 in consultation document]

Do you agree that the codes should be digitalised?

☒ Yes

☐ No

☐ Don't know

Please explain.

Comments: Digitalisation will enable much quicker access to the codes and make them easier to use. It is good for the environment too!

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: As it is our view that industry should be part of the strategic and code management functions, then it is natural that industry is also part of the code compliance regime.

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: It seems neutral to us across both models, although perhaps model 2 has the benefit of one regime, which would be more efficient

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: Yes, it should. Why pass this responsibility onto another body?

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.

No further comments

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

Please acknowledge this reply ☐

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

☒ Yes

☐ No