



## Reforming the Energy Industry Codes - response form

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

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

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

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

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

### Write to:

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

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

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

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

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

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

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

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

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

I want my response to be treated as confidential ☐

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

## Questions

Name:

Organisation (if applicable):

Address:

Please select a box from the list of options below that best describes you as a respondent. This allows views to be presented by group type.

	<b>Respondent type</b>
<input type="checkbox"/>	Business representative organisation/trade body
<input type="checkbox"/>	Central government
<input type="checkbox"/>	Charity or social enterprise
<input type="checkbox"/>	Individual
<input 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 checked="" type="checkbox"/>	Other (please describe) SEC Panel

### 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: The SEC Panel supports the desired outcomes and believes these are consistent with the Panel's existing objectives and priorities. As such we would offer our views, experience and support in helping to develop and implement any

solutions. We note the desire to deliver the outcomes by mid 2020s and believe this can be achieved if proportionate amendments are introduced to the existing framework. We provide detailed comments on the suggested solutions below, but note that they are far reaching and impacts on businesses and the industry need to be given full consideration. We believe effective solutions can be found that would deliver the desired outcomes more quickly and effectively without the need for significant restructuring of the existing governance framework. It is imperative we understand the true cause of the issues set out in the consultation so prudent solutions can be identified and the full ramifications considered, ensuring the baby is not thrown out with the bathwater.

**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: On the issues of 1. fragmentation & lack of coordination and 2. Lack of incentive for change, the SEC Panel recognise the need for there to be an agreed and established Strategic Direction for the Energy System and that the delivery of that Strategic Direction across the Energy Sector does need to be co-ordinated. However, there is a concern that the proposals do not take account the extent to which the existing Code Managers (Panels) and Administrators undertake other essential roles beyond the implementation of change. The SEC Panel recognises that existing timescales to deliver changes are unacceptable and are working hard to ensure improvements are made. Although it needs to be understood that under the SEC is not the drafting and agreement to the changes to the text of the Code that results in protracted timescales, but the elapsed timescales associated with DCC completing Impact Assessments and the physical implementation of these changes through industry systems and processes of both industry participants and central service providers. The evidence for the issues set out in the consultation implies that it is the governance framework and modifications process that leads to the lengthy progression of change. We do not believe this to be the case, and rather the issues sit with the development and implementation of the underlying central systems. On this basis the SEC Panel believes that improvements to implementation timescales can be achieved but in doing so is aware that changes to the central systems need to be rigorously tested and proven before implementation to avoid adversely impacting consumers. The consultation also sets out a SEC negative outlook on the use of SCRs. When SCRs were first introduced into the Codes their purpose was to allow the coordinated delivery of large scale change to multiple codes at once; they were in no way considered to be a backstop or only to be used when all other avenues had been exhausted. It appears that

there is now a negative stigma around using SCRs, however if this outlook changed to the original intent there is a ready made mechanism to deliver large scale industry change already in place without the need to create further changes to the governance framework. What is lacking from the SCR process is the strategic direction which other reforms as set out in this consultation are seeking to introduce. Regarding issue 3. Complexity, the SEC Panel recognise this as an issue and are currently undertaking work, including digitisation, to seek to reduce the complexity of the arrangements to make them easier to understand and navigate.

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

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

Comments: The SEC Panel believe that the current arrangements for agreeing and implementing change can, particularly when there are no system implications, operate to deliver change within the timescales envisaged in this consultation. We do recognise that there are concerns over the delivery of changes that cross boundary's of Code responsibility. The SEC panel believe however that with limited refinement existing vehicles exist to co-ordinate and prioritise change. For example, the CACOP and SCR processes with appropriate oversight could be used and developed to facilitate these categories of change.

**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 SEC Panel believe that the Codes identified are appropriate to be within the scope of the review.

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

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

**Question 5** [page 18 in consultation document]

**Are there any codes or systems that we should only apply a limited set of reforms to?**

☐ Yes

☒ No

☐ Don't know

**Please explain.**

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

**Question 6** [page 21 in consultation document]

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

Comments: The SEC Panel agree with the need for a centrally established Energy Policy and that there needs to be a Strategic Direction towards achievement of that Policy and vision. We note that a process is required to co-ordinate change across the Energy Industry, but that existing governance could be adapted to achieve this. We also recognise that there are opportunities for the simplification of Industry Codes although there is the need to ensure clarity of requirements to secure the required level of interoperability between parties; whilst retaining the elements that are unique to the scope of work, security implications and relevant consumer protections that they must provide.

**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: The SEC Panel believes that with respect to the desire for Independent decision making there should be care not to jeopardise the relationship between those responsible for decision making from the funding parties, which could raise the concern over the efficient and economic requirements associated with the delivery of change. Whilst these proposals relate primarily to the delivery of strategic energy policy a considerable amount of other types of changes are also ongoing on a continual basis these need to be assessed and progressed alongside the delivery of strategic changes.

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

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

Comments: The SEC Panel believe that Model 1 or a variant is the preferable option as it represents incremental change to current industry governance and could be introduced with least disruption and within shorter timescales. It would also allow the Strategic Body to establish, co-ordinate the implementation across the industry and compliance with Energy Policy leaving Code Managers and Administrators accountable for delivery with these obligations but also their broader functions.

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

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

Comments: The SEC Panel believe that changing the accountability of Code Managers away from Code Signatories towards being entirely accountable to a

Strategic Body challenges the principle of Self Governance. The Panel accept that there is a need to establish Strategic Direction and Code Managers should be accountable for the delivery of the Policies that emerge from that body. However, this underestimates the broader role of Code Managers and Administrators.

**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: The SEC Panel recognise the need and benefit in there being an established vision for the Energy System and that a new strategic function could establish and provide that vision in accordance with Government Energy Policy. The setting of the strategic direction by publication of a regular plan established after consultation and collaboration seems an appropriate way to deliver this. The possible scope of the Strategic Body appears to be far reaching and comprehensive. The 3 areas of responsibility set out in the consultation do seem sensible. Certainly, the first "1. Setting the strategic direction for codes" is an essential responsibility for such a strategic body. However, whilst we recognise the benefit of an organisation having oversight of the developments for the other two areas (2. Ensuring Codes and Code governance remain agile, and 3. Unlock innovation) we should be careful that the scope of the Strategic Body should not unnecessarily dilute the authority and responsibility of the existing code governance, given their broader role, and avoid jeopardising the principles of self-governance. Having a body to hold the Codes to account where sufficient progress has not been made will help drive change forward, but the strategic body should not be responsible for delivering that work themselves.

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

Comments: The SEC Panel believe Ofgem are the appropriate vehicle. Creating a new organisation to deliver the strategic function would introduce further cost and bureaucracy into the market. We note the views in the consultation of a necessary increase in Ofgem capabilities, but believe if the role of the strategic body is defined as one of enforcement and monitoring rather than delivery, there should be no need to radically expand Ofgem resource since there are synergies with their current role.

**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: Please see response to question 10

**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: As noted in our response to question 10, having an organisation providing oversight and coordination in the areas set out would ensure that all Codes are driving efficiencies. However, the strategic body should be limited to having oversight of these areas and not in planning, developing and implementing solutions. Having such wide ranging responsibilities could duplicate effort of Codes Administrators/Managers and Code Panels and may lead to some areas of the industry not driving innovation on their own, but relying on direction from the strategic body before doing so. There is also a concern that the other daily activities of Code Panels and Code Managers are not taken into account here. Increasing the remit of the strategic body could erode the principles self-governance. This in turn may lead to the strategic body having to take on board more and more of the Code activities, not just providing strategic direction which should be their raison d'être.

**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 approach set out in the consultation that would see a transparent strategy set with input from key stakeholders is a pragmatic approach.

**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: Based upon our current understanding, the SEC Panel believe the responsibility should be limited to its strategic function since it is unclear what accountability such a body would have.

**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 SEC Panel believe that whilst these responsibilities are appropriate and need to be fulfilled they are best undertaken by the Code Administrator under the authority of the relevant Panel. This maintains better accountability and oversight of these important deliverables.

**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: The Panel believe that the response to this question should be deferred until a final decision is made on the number and structure of the Industry Codes.

**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: The Panel believe that the response to this question should be deferred until a final decision is made on the number and structure of the Industry Codes.

**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: The SEC Panel believe that a model whereby Code Administrators hold a license to operate as such but are competitively procured and accountable to the Code Panel is a model worthy of consideration. This License and Contract option

retains the accountability for performance with both the Strategic Body and Code Panel.

**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: [See answer 18.](#)

**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: [See answer 18.](#)

**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: [See answer 18.](#)

**Question 22** [page 37 in consultation document]

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

☐ Yes

☐ No

☐ Don't know

**Please explain.**

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

**If the code managers were established in this way, would we need to consider any alternative approaches to funding or accountability?**

☐ Yes

☐ No

☐ Don't know

**Please explain.**

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

**Question 23** [page 37 in consultation document]

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

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

☐ Yes

☐ No

☐ Don't know

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

☐ Yes

☐ No

☐ Don't know

**Please explain.**

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

**Question 24** [page 37 in consultation document]

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

**Please explain.**

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

**Question 25** [page 37 in consultation document]

**Are there any factors that:**

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

☐ Yes

☐ No

☐ Don't know

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

☐ Yes

☐ No

☐ Don't know

**Please explain.**

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

**Question 26** [page 37 in consultation document]

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

**Please explain.**

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

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

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

Comments: [Reviewing the current Codes to remove superfluous/duplicated obligations and a rationalisation exercise to make it easier for parties to access regulations would be useful and can be undertaken quickly, although we note the outcomes will take time to produce depending on level of documentation.](#)

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

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

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

**Question 29** [page 44 in consultation document]

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

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

**Question 30** [page 44 in consultation document]

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

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

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

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

☒ Yes

☐ No

☐ Don't know

**Please explain.**

Comments: The SEC Panel supports the proposal to Digitise Codes, and is progressing this initiative. There are concerns that an Industry Standard should be established to ensure consistent delivery and avoid a multitude of solutions which in turn causes complication.

**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: The SEC Panel believe that performance standards of both market participants and service providers need to be established and agreed by those organisations who are affected by the failure to comply. These performance standards frequently need to be tempered with a commercial compromise or where multiple parties are involved conflicts or adverse impact upon market participants services or industry data quality. Once agreed the reporting and monitoring of these performance standards is generally built into and becomes an integral part of industry systems and processes. This range of monitoring involved both includes close to real time and longer term ex-post performance reporting.

**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: The SEC Panel believe that wherever possible compliance action should be predefined so that participants understand the consequences of non-compliance and encourage compliance. Where it is not possible to implement this principle processes should allow non-compliant parties to submit remedial and rectification plans for approval.

***Please note this question only applies in respect of Model 2 (integrated rule-making body).***

**Question 34** [page 47 in consultation document]

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

**Please explain.**

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

**Do you have any other comments that might aid the consultation process as a whole?**

Please use this space for any general comments that you may have, comments on the layout of this consultation would also be welcomed.

[Click here to enter text.](#)

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

Please acknowledge this reply ☐

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

☐ Yes

☐ No