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16th September 2019

Dear Sir/Madam

Consultation on Reforming the Energy Industry Codes

I am writing in my capacity as Chairman of the Joint Sponsors Board (JSB) for the Future Power System Architecture (FPSA) Programme. The FPSA Programme is focused on the transformation of the energy system needed to satisfy the requirements of 2030 and beyond to Net Zero. It is delivered by a collaboration between the Energy Systems Catapult and The Institution of Engineering and Technology (IET). The JSB comprises representation from BEIS, Ofgem and Innovate UK.

Your Consultation on Reforming the Energy Industry Codes is very welcome; it is both important and timely. The nature and pace of transformation that will be required if we are to address the demands of achieving Net Zero will require significant and far-reaching change in how we govern the energy sector. Your statement of the opportunity and the questions you ask suggest openness to new ways of thinking and acting, and I would encourage you to be bold in progressing.

I would like to commend to your attention the responses to your Consultation prepared and submitted by the Energy Systems Catapult and The IET. Both responses draw heavily from the body of work undertaken in the FPSA Programme.

I would take this opportunity to emphasise the following key points:

- **Energy sector governance review must consider the whole system.** The importance of considering the whole system is frequently referred to in discussions regarding energy system transformation; however, there is limited evidence that this thinking is being applied in practice. It is imperative that sector governance changes to consider not only the traditional transmission and distribution networks but also the increasingly important, rapidly changing and more interactive components and activities on the customer side of the meter, the interactions of the systems in different energy vectors and the touchpoints of these systems with the increasing number of dependent systems (such as the transport network). This review provides the opportunity to rectify current failings and support delivery of needed capability; this opportunity must be capitalized on.

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- **Technical co-ordination should be explicitly addressed as part of governance reform.** The increasing complexity of the system and the growing diversity of sector participants requires co-ordination to assure technical and operational integrity of the system. The proposed governance reform has the opportunity to embed this in the sector thereby enabling development and deployment of a high-quality optimal-cost system for the benefit of consumers.
- **Strong and effective engagement of new and existing stakeholders will be a critical success factor in a reformed governance framework.** The Consultation acknowledges the need to involve stakeholders but should go further and emphasise that better engagement is a required outcome. No governance model can be effective if it does not connect with stakeholders to identify the need for change and then develop and deliver it. As greater numbers of smaller players become active in the energy sector it will be increasingly important, but also difficult, to do this. It therefore deserves dedicated effort to find ways to meet this challenge.
- **Governance must be set within a strategic context and structure that enables effective planning and delivery processes.** Stakeholders of all types need to be supported in strategic decision making; they need to be able to invest in anticipation of delivering required outcomes with reasonable expectation of commercial return. This includes parties who are currently in the sector and those that are considering engaging with it. Providing this long-term stability, whenever possible, should be a focus of the proposed strategic oversight function.
- **Energy sector governance change must be transformational not incremental.** We should not be afraid of fast-paced transformative change, as an incremental evolution of the current governance framework will not deliver what is needed by the system, or our obligation to reach Net Zero goals. It is appreciated that safety and service quality must be maintained as change is implemented; however, with careful management this can be achieved alongside sufficiently transformative reform.
- **An effective governance framework will remove current barriers to innovation, releasing its potential for the UK energy sector.** Successful reform is key to enabling new market players, technologies and business models to enter the sector. It is therefore vital that the new framework and the bodies that drive it deliver change as soon as possible. Failure to implement reform that is both enabling and timely will stifle the flow of innovation needed to achieve Net Zero goals.

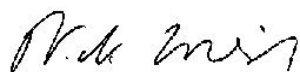
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- **There is urgency in implementing governance change if we are to be successful in reaching our Net Zero goal.** As outlined above, without sufficiently transformative technical co-ordination and governance reform the potential of new innovations will not be harnessed, multiple systems will sub-optimally develop in tandem and the technical operation of the electricity system could be jeopardized. The pathway and timeline to a new governance structure, and the resulting reforms which the new strategic body will direct are therefore key to the nation meeting its obligation to create a Net Zero economy. We must establish this body as early in the transition pathway as possible; we should act with purpose and in an expedient way whilst acknowledging that safety and service quality must be assured.

The FPSA Programme and the broader body of work being undertaken by both the Energy Systems Catapult and The IET, will continue to respond to, and increase the understanding of, the demands of transformation, including the necessity of governance change. The Programme would welcome the opportunity to engage further on this critical subject.

I look forward to learning of the findings of the Consultation and will remain interested in the work that arises from it.

Yours faithfully



Nick Winsor
Chairman