Retail Energy Code Company Ltd
27 Old Gloucester Street
London, WC1N 3AX

Retail Energy Code Company
info@retailenergycode.co.uk
www.retailenergycode.co.uk

By email only: industrycodes@ofgem.gov.uk

29 May 2025

**RECCo response – Second Code Reform Implementation Consultation**

We welcome the opportunity to respond to this consultation. Our response represents the views of the Retail Energy Code Company Ltd (RECCo) and is based on our role as managing the Retail Energy Code (REC) which governs the Retail Energy Market.

RECCo is a not-for-profit, corporate vehicle ensuring the proper, effective, and efficient implementation and ongoing management of the REC arrangements. We seek to promote trust, innovation and competition, whilst maintaining focus on positive consumer outcomes. Through the REC, the services we manage, and the programmes we run, we are dedicated to building a more effective and efficient energy market for the future. We are committed to ensuring that RECCo is an "*intelligent customer*", ensuring efficacy and value-for-money of the services we procure and manage on behalf of REC Parties, including those which constitute the REC Code Manager.

Our key messages are as follows:

1. **Support for Implementation Approach – with Proportionality by Phase:**
   We support Ofgem's proposed allocation of responsibilities for implementation and assurance, which reflects the successful structure used in Retail Code Consolidation. However, we stress that codes already in operation and forming part of Phase 1—such as the REC—are on a different footing than those subject to future consolidation. Implementation oversight should therefore be proportionate, building on the mature arrangements already in place.

2. **Retaining Key Governance Strengths in the REC:**
   While we support simplification of the governance landscape, the REC has made significant progress in areas such as open change access, independent assurance, and stakeholder-led prioritisation. These strengths should not be diluted. In particular, we advocate for the continued role of the Performance Assurance Board in derogation decisions and post-trial review of sandbox arrangements.

3. **Cross-Code Delivery Requires Stronger Structural Support:**
   The reformed Cross Code Steering Group (CCSG) should have clearer authority and recognition within each code's governance to support alignment of interdependent changes. We support independent chairing of the CCSG and recommend early inclusion of system providers to improve delivery planning under the Strategic Direction Statement.

4. **Workgroups and Legal Drafting Should Remain Discretionary:**
   We agree that workgroups have a role, but they should not be convened by default. Instead, Code Managers should assess whether alternative development approaches—such as subject matter experts—offer a more efficient route. Similarly, we support Option 1 for legal drafting, enabling

Code Managers to develop tailored, high-quality drafting aligned with their code's structure and terminology.

5. **Cost Recovery and Recognition under the Price Cap:**
   We support retaining the REC's cost recovery methodology under the new licensing regime. We also seek Ofgem's confirmation that the cost obligations on suppliers under the REC will be recognised under the default tariff cap, in line with those for other central service bodies.

We hope that Ofgem finds our feedback constructive and helpful in shaping the next phase of reform. We look forward to continued collaboration to support a successful and proportionate transition to the new code governance model.

Yours sincerely,


**Jon Dixon**
**Director, Strategy and Development**

**Appendix**

**Code Process**

| Q1: Do you agree with our proposal to have in place a premodification process and the proposed roles and responsibilities in this process? |
|---|

RECCo supports Ofgem's proposal to introduce a formalised and harmonised pre-modification process across all energy codes. We agree that this stage can play a valuable role in improving the quality of modification proposals, promoting inclusivity, and ensuring alignment with broader strategic goals.

We are pleased to note that many of the principles Ofgem proposes—such as open access, the use of pre-modification forums, and the role of the code manager as a "critical friend"—are already embedded in the REC through its Pre-Change Issues process. This process has proven effective in enabling both industry and non-industry stakeholders to raise and explore issues early, often leading to better-defined, more efficient change proposals. In this respect, the REC provides a strong model for wider adoption.

We particularly support the intention to:
- Make pre-modification accessible to all stakeholders, not only code parties;
- Encourage early dialogue and solution development through structured forums;
- Allow issues to be explored without obligating the proposer to progress to a full modification;
- Require proposers to indicate whether an issue has gone through the pre-modification process when submitting a formal proposal.

However, we would encourage Ofgem to ensure that the process remains flexible and proportionate, avoiding excessive procedural burden that might discourage engagement.

| Q2: Do you agree with our proposals on who can raise modification proposals and the associated triage criteria? |
|---|

We support Ofgem's proposals to clarify who can raise code modifications but believe greater flexibility is needed, particularly for consumer-centric codes such as the REC.

Ofgem proposes a model where only certain parties—such as code parties, consumer advocates, and Ofgem—have automatic rights to raise a change. All other stakeholders must first be designated by the Code Manager on a case-by-case basis. While we recognise the intention to protect the process from frivolous proposals, this approach risks discouraging legitimate contributions from innovators, consumer groups and smaller market participants, especially where the designation process becomes time-consuming or opaque.

The REC demonstrates that open access can be both manageable and valuable. Under current arrangements, any interested party may raise a Change Proposal or Pre-Change Issue without needing prior designation. This inclusive approach has allowed a broad spectrum of stakeholders—including suppliers, networks, consumer representatives, central service providers, and even individual consumers—to engage in REC governance. This has led to tangible improvements in retail market arrangements, while being managed effectively by the Code Manager and Change Panel through triage, support, and prioritisation mechanisms.

Ofgem's own assessment rightly concludes that changing the REC's open access model would be disruptive and unnecessary, given that risks have proven manageable. We agree. The REC's governance includes triage and filtering steps that already ensure only viable proposals progress. This makes the additional hurdle of designation redundant in such contexts.

We acknowledge that for more upstream, technically complex codes potentially impacting fewer stakeholders—such as those dealing with network or settlement arrangements—a narrower set of eligible proposers may be more appropriate. In these cases, limiting change rights to code parties and selected statutory bodies may be sufficient, provided there is still a clear and proportionate route for others to contribute.

However, requiring each third party to be designated separately for every proposal—even in upstream codes—seems excessive and risks closing the door to new ideas unnecessarily. The proposed triage process provides an adequate safeguard on its own. If a change is not in scope, clearly framed, or worth progressing, it can be screened out through triage without needing to pre-screen the proposer.

**Q3: Do you agree with our proposals on when modifications proposals are deemed as withdrawn; i) if a code manager doesn't take ownership and ii) if the proposer does not engage in the process or acts vexatiously?**

RECCo supports the introduction of clear, transparent rules governing when a modification proposal should be deemed withdrawn. We agree that there must be mechanisms to close down proposals that lack proposer engagement or are submitted in bad faith, so that code resources can be focused on viable, well-evidenced change.

We support the proposed ability for the Code Manager to withdraw a proposal, subject to Stakeholder Advisory Forum (SAF) consultation, where the proposer becomes unresponsive or demonstrably vexatious. In such circumstances, it is appropriate for the Code Manager to bring forward a withdrawal decision, provided this is not exercised arbitrarily and that the criteria for doing so are clearly defined and proportionately applied.

We also agree that where no party is willing to take ownership of an issue raised during the pre-modification stage—whether the Code Manager declines or the original proposer disengages—such issues should be treated as withdrawn. However, we consider it important that the Code Manager first consult with the proposer and provide clear reasoning before formally closing an issue. This supports transparency and ensures that proposals are not prematurely curtailed due to misunderstandings or administrative delays.

The Retail Energy Code already includes structured governance for the withdrawal of Change Proposals. Proposers may withdraw at any time, and the Code Manager may recommend closure of inactive proposals—subject to panel oversight and after a defined period of proposer inactivity. While the REC does not currently include an explicit "vexatious proposer" clause, the process has proven effective in filtering low-quality or abandoned proposals through panel-led governance. This framework could usefully inform the implementation of Ofgem's proposals.

We recommend that the reformed process should:

- Clearly define "failure to engage" (e.g. no productive response to repeated Code Manager contacts over a set period);

- Ensure SAF oversight is retained for any involuntary withdrawals;

- Include provisions to safeguard against overuse of the "vexatious" designation, including examples of what such behaviour entails.

We also suggest Ofgem consider whether the REC framework might be strengthened in future by aligning with these new provisions, including the ability to close proposals raised in bad faith, with appropriate governance checks.

**Q4: Do you agree with our proposed roles and responsibilities in determining the materiality and priority of a modification proposal?**

RECCo supports Ofgem's proposals to streamline and clarify roles in determining modification materiality and priority. We agree that the licensed Code Manager should take the lead in these assessments, provided decisions are transparent, guided by objective criteria, and informed by structured stakeholder input through the Stakeholder Advisory Forum (SAF).

We welcome the proposal that the Code Manager will determine the governance route (e.g. self-governance or Authority decision) and assign priority status to each modification, publishing the rationale for both determinations. Ofgem's retention of backstop powers, including the ability to override classifications or hear appeals, ensures continued regulatory accountability.

The REC already includes governance categories and priority assessments, with decisions currently taken by the Change Panel based on Code Manager recommendations. This model works well, but we recognise the benefits of simplifying governance by placing responsibility with a single, accountable entity. A Code Manager-led process, supported by SAF input, can deliver consistency and agility without losing stakeholder influence.

We remain of the view that Ofgem should not mandate a rigid binary classification of "priority" vs "non-priority" changes. In previous consultation responses, we highlighted that the REC uses a weighted, multi-criteria matrix to rank change proposals. This ensures prioritisation reflects both strategic and operational urgency and avoids overly simplistic thresholds. We believe this approach should inform the development of a common framework across codes.

To be effective, the new approach must continue to uphold the principles of transparency, proportionality, and inclusiveness. Materiality and prioritisation decisions should be published with clear justification, based on consistent, pre-defined criteria. SAF should be actively engaged to test assumptions and ensure diverse perspectives are considered. Cross-code coordination, especially where changes are interdependent, should be facilitated through Ofgem-led – or at the least Ofgem-supported - forums and aligned with delivery planning and budget cycles

**Q5: Do you agree with our proposals on cross-code working; i) to use the cross-code working arrangements in the Retail Energy Code as the basis of future cross-code working and; ii) any improvements that could be made to the cross-code process?**

RECCo supports Ofgem's proposals to strengthen cross-code working and welcomes the recognition given to the Cross Code Steering Group (CCSG) established under the REC. The CCSG has played an important role in improving the cross-code coordination of modifications to date and provides a good foundation for broader application across all codes.

However, we believe the arrangements must now be strengthened, particularly if they are to support the successful delivery of the Strategic Direction Statement (SDS). This includes the CCSG playing a formal role in coordinating interdependent SDS delivery plans and being recognised within the governance frameworks of all codes. Such recognition—clearly embedded within each code's change process—should obligate Code Managers to support the CCSG and implement its cross-code decisions, including lead-code coordination and aligned implementation schedules. Establishing clear obligations for affected Code Managers would help ensure consistency in the progression of timetables, consultations, and decision-

making processes across codes. This clarity is necessary to eliminate ambiguity and enable the delivery of effective, coherent solutions.

We also believe that going forward, the CCSG should be chaired preferably by Ofgem or independently rather than continue to be associated most strongly with an individual code or rotated amongst codes. Ofgem or an independent chair would be best placed to provide neutral leadership, improve continuity, and ensure focus on shared outcomes. Where this is an independent chair, the costs of such a role could be jointly funded across codes, reinforcing shared accountability.

Finally, cross-code working must be continuous throughout the lifecycle of a modification, not limited to the initial assessment. Cross-code impacts can emerge at any stage, so sustained CCSG involvement will help identify interdependencies early and avoid late-stage rework.

**Q6: Do you agree with our proposal on how a code manager should decide the need for a workgroup to develop a modification proposal?**

RECCo agrees that workgroups can play an important role in the development of certain modifications but does not support their use as a default mechanism. Instead, we believe that the decision to convene a workgroup should rest with the Code Manager, based on a proportionate, evidence-based assessment of each proposal's complexity and stakeholder impact.

Under the current REC arrangements, the Code Manager leads modification development and has discretion to engage Subject Matter Experts (SMEs) or establish a workgroup only where this is likely to add material value. This flexibility ensures that modifications can progress efficiently, without placing unnecessary burdens on industry participants. Ofgem's original code reform rationale recognised that excessive dependence on workgroups can slow progress, introduce bias, and impose significant costs on participants. These concerns remain valid.

While stakeholder input via the Stakeholder Advisory Forum (SAF) is valuable, the final decision on whether a workgroup is needed should consider multiple factors – including the clarity of the proposed solution, technical complexity, and whether contracted expert support could be more effective. In many cases, targeted SME input may deliver more robust outcomes than convening a full working group.

We also emphasise the need for proportionality. Workgroups require significant time and resourcing and should not become a default expectation. Overuse could limit parties' ability to contribute meaningfully across concurrent change processes and reduce the overall quality of engagement.

**Q7: Do you agree with our proposals on alternative modifications; i) who can raise them and ii) a limit on their number?**

RECCo agrees with Ofgem's proposals on alternative modifications. Allowing any interested party (including workgroup members and the code manager) to raise alternatives will broaden participation and ensure worthwhile ideas aren't missed. At the same time, instituting a three-alternative cap by default is a sensible step to keep the process manageable and avoid over-complicating decision-making. This capped approach effectively mirrors the REC's experience (where rarely more than two alternatives are pursued) and formalizes it into governance. We believe the cap, coupled with the flexibility to permit an extra alternative where clearly warranted, is a sound and pragmatic reform. It will help streamline code modifications and focus industry efforts, without depriving the market of innovative solutions when they matter most. RECCo therefore supports the proposals on both who can raise alternative modifications and limiting their number, as a balanced enhancement to code governance.

**Q8: Do you agree the default should be that modification proposals are consulted on once?**

RECCo supports Ofgem's proposal that stakeholder consultation on a modification should, by default, occur only once. This strikes an appropriate balance between transparency and efficiency, particularly where early engagement and robust triage help ensure the proposal is well-developed before consultation.

We agree that a single consultation should generally be sufficient where the modification has been clearly scoped, stakeholder views have been sought during development, and the party impact assessment is comprehensive. Limiting the number of consultation rounds helps reduce process delays, avoids consultation fatigue, and ensures timely decisions—key aims of the code reform programme.

This approach is broadly consistent with REC practice, where a single consultation is standard, but the Code Manager and Change Panel retain discretion to conduct additional consultations where justified. For example, further consultation may be necessary if the solution changes materially during development or where updated impact information emerges. This flexibility ensures that decisions are made based on current evidence and stakeholder views.

We support maintaining similar discretion under the reformed governance framework. The Code Manager should be able to conduct a second consultation where there is a clear case—for instance, where new risks or materially revised impact assessments arise after the initial consultation. In such cases, re-engaging stakeholders can help validate the revised proposal and maintain industry confidence in the process.

The effectiveness of a single-consultation model will also depend on the quality of pre-consultation engagement. We therefore encourage early involvement of stakeholders during triage and development, including use of Requests for Information or informal discussions. This helps identify key concerns and shape the proposal before the formal consultation is issued, reducing the likelihood of significant revisions later.

## Q9: Do you agree with our preferred option (Option 2) to deliver these proposed changes?

No, we support Option 1, under which each Code Manager would be responsible for developing the legal drafting to implement the changes within their own code, based on principles set by Ofgem. This approach ensures the new governance provisions are integrated accurately and coherently, reflecting the unique structure and terminology of each code.

We agree that alignment across codes is important, but this is best achieved through common principles and coordinated implementation—not through identical legal text. As seen under the Market-wide Half Hourly Settlement (MHHS) programme, allowing each code body to develop and own the drafting for its code, while engaging with Ofgem on consistency and implementation, has proven effective. It has enabled tailored and high-quality code updates while supporting coordinated delivery across the industry.

Each code has evolved its own drafting conventions, definitions, and structural logic. Attempting to insert a single, centrally defined text into all codes, as proposed under Option 2, risks introducing ambiguity or contradiction, particularly in codes where terminology or governance structures differ. Even small inconsistencies can cause confusion, undermine stakeholder confidence, and increase the burden of interpretation.

We also note that the scope of changes required is likely to extend beyond change management provisions alone. For example, in the REC, the necessary updates may affect other schedules—such as those dealing with performance assurance or subsidiary governance. Code Managers are best placed to understand and reflect these interdependencies in their drafting, ensuring completeness and clarity.

While Option 2 may appear more efficient, in practice it risks creating unintended implementation complexity. We believe Option 1 offers a more flexible and robust route to deliver the reforms, with consistency supported through transitional direction, collaboration across Code Managers, and oversight mechanisms such as the CCSG.

**Q10: Do you agree with our proposals for the future of the Code Administration Code of Practice?**

We agree with the proposal to retire CACoP and to embed its key principles within the Code Manager licence and/or code rules as appropriate. This will formalise good practice, improve compliance, and support the delivery of a consistent and effective governance framework across all codes.

**Stakeholder Advisory Forum**

**Q11: Do you agree with our proposed SAF objectives?**

RECCo supports the proposal to establish a Stakeholder Advisory Forum (SAF) and agrees that this new governance forum should play an important role in ensuring transparency, inclusivity, and challenge in the code modification process. The SAF model reflects a number of features already present within the current REC Change Panel and other REC stakeholder forums and provides a sound basis for supporting the Code Manager under the reformed governance arrangements.

We agree with Ofgem that transferring the current decision-making powers of the panel to the licensed Code Manager is appropriate, subject to clear and accountable processes. However, this makes the SAF's role even more critical in preserving stakeholder challenge and input. We particularly welcome the formal requirement for the SAF to assess whether modifications better facilitate the code objectives, with those views being captured in the Code Manager's Final Modification Report. This ensures that the Code Manager's recommendations are not made in isolation and that the stakeholder voice remains visible in the decision-making process.

Under current REC arrangements, the Change Panel already provides multi-party representation and evaluates whether proposed changes promote the code objectives. The SAF would maintain this evaluative function, but through an advisory rather than determinative lens. We support this shift, provided that the SAF has real influence and the Code Manager is required to evidence how SAF input has been considered in forming its recommendations.

We also support Ofgem's proposal that the SAF may be consulted on other matters, such as budgeting or performance reporting. This mirrors RECCo's approach with its own Stakeholder Advisory Group, which has been consulted on a range of matters beyond modifications. However, we believe this broader role should be discretionary rather than mandatory. SAF consultation should occur where the Code Manager considers that stakeholder input will materially improve the outcome, rather than becoming an additional procedural step for well-established processes such as budget setting.

Finally, we note the proposed inclusion of independent members and an independent Chair on the SAF. We support these measures, which will enhance the forum's impartiality and legitimacy. We also agree that membership should be flexible and reflect the nature of the code and its users. However, we encourage Ofgem to give further thought to how the independence and effectiveness of the SAF will be maintained over time, including through training, clear terms of reference, and consistent engagement practices.

In conclusion, we are supportive of the SAF proposal as an evolution of existing governance arrangements, and we believe it can serve as an effective advisory body that complements the Code Manager's responsibilities, subject to its operation being proportionate and clearly defined in the code.

## Q12: Do you agree with our proposals for SAF membership?

RECCo is broadly supportive of Ofgem's proposals for the constitution of the Stakeholder Advisory Forum (SAF), which align closely with the current composition and impartiality principles of the REC Change Panel. We agree that the SAF should include a mix of stakeholder representatives and independent members, and that its membership must reflect the diverse interests of those affected by the code.

We support the proposed approach of having fixed member categories, such as representatives of suppliers, networks, consumer advocates, and independent experts. This mirrors the current REC Panel structure, which has proven to be effective in securing balanced representation and objective scrutiny of modifications. However, we acknowledge the need to keep the SAF to a manageable size to maintain its effectiveness. While three independent members may well be appropriate for most codes, we do not believe this number should be prescribed by Ofgem. Instead, we recommend that the final number of independent members should be determined by the Code Manager, based on the nature and complexity of the code, with appropriate justification if additional independent members are appointed. This approach provides necessary flexibility and is more likely to remain fit-for-purpose over time.

We do not support the proposal for the independent Chair to also be one of the independent SAF members. These are distinct and important roles that should not be conflated. SAF members are expected to engage fully in the discussion and contribute their independent views on modification proposals and other matters. The Chair, by contrast, must remain agnostic to the outcome of those discussions to serve as a neutral facilitator. Combining the two roles would compromise the effectiveness of both. We therefore recommend that the Chair should be independent of both the Code Manager and the SAF membership and not hold a voting role, except in the case of a split SAF vote and a need to provide a clear recommendation to the Code Manager.

We are supportive of the proposal that industry-nominated representatives be elected through a voting process, rather than being selected by the Code Manager. This would enhance the legitimacy of the SAF and ensure that stakeholder confidence in the forum is maintained. We also believe it is essential that there is a transparent and fair process for the removal of SAF members, whether due to non-performance, conflicts of interest, or other justifiable reasons. This would reflect standard governance best practice and reinforce the SAF's credibility as an impartial and professional advisory body.

## Q13: Do you agree with our proposals on how a SAF will operate?

RECCo supports Ofgem's proposals regarding the operation of the Stakeholder Advisory Forum (SAF), including its role in reviewing code modification proposals and advising the Code Manager on whether they better facilitate the relevant code objectives. We agree that the SAF should play an active role in supporting high-quality, efficient decision-making, while providing transparency and accountability through its deliberations.

However, we note that many modifications under the Retail Energy Code (REC) — particularly those progressed via self-governance — are currently assessed not only against the code objectives but also on the basis of a supporting business case. This dual approach has proven valuable, particularly in evaluating the proportionality and operational justification for changes. In recent years, RECCo has strengthened its approach to business case development in response to stakeholder feedback, including the commitment to publish a business case for all substantive investments.

While we have no objection to proposals being assessed against energy code objectives, it would be a retrograde step to remove the focus on business cases. A well-evidenced business case enables the SAF and Code Manager to assess a proposal's efficiency, cost-benefit rationale, and delivery risk — all critical factors in determining whether a change should proceed. This is particularly important for operational or system-related investments, such as upgrades to code systems or services, where the link to code objectives may be more indirect but the business justification remains essential.

Furthermore, we anticipate that the SAF may be consulted on matters beyond modification proposals, as permitted under Ofgem's broader proposals. In these cases — such as decisions regarding infrastructure investment, service scope changes, or enhancements to supporting IT systems — an objective business case should remain central to stakeholder engagement. It ensures a transparent basis for decision-making and provides a consistent framework for weighing alternative options.

We therefore recommend that the operational procedures of the SAF include a clear commitment to considering the business case in relevant cases. This could be reflected in SAF documentation, including its terms of reference or standing operating procedures, and should be supported by a requirement on the Code Manager to prepare a business case alongside the Final Modification Report where appropriate.

## Cross-cutting consequential changes

**Q14: Do you agree with our preferred approach of conducting a case-by-case review of subcommittees in terms of delegated decision making and impartiality?**

RECCo supports **Option 3** – a mixed approach that would allow existing sub-committees and workgroups to continue operating under transitional arrangements until they are individually reviewed and, if appropriate, reconstituted under the new governance model.

We do not support Option 1, which implies that all existing sub-committees may be disbanded by default or unable to function unless their vires is formally re-established. This risks unnecessary disruption to operational activities, many of which fall outside the scope of the code modification governance that prompted Ofgem's original intervention. A case-by-case review of every sub-committee, as implied under Option 1, would be a resource-intensive exercise. With the removal of industry-led panels, it is clear that panel-delegated mandates will lapse, requiring any continuing group to be formally re-established from scratch.

This would impose a significant burden on Code Managers and stakeholders and risks creating governance gaps in areas where current groups operate effectively. Option 3, by contrast, offers a more proportionate and agile solution—allowing existing groups to continue under transitional provisions while being reviewed and transitioned over time. This is also consistent with the phased approach being taken to code reform more broadly.

Many sub-committees deal with day-to-day operational issues such as service delivery, dispute resolution, and system coordination. These areas were not the focus of Ofgem's governance reforms and, in many cases, do not warrant regulatory redesign. Applying blanket changes to such groups risks overreach and diverts attention from higher-value aspects of the reform programme.

While we understand the rationale for a full "in-the-round" review, we do not believe this justifies the immediate disbanding of all groups. Option 3 does not preclude a full reassessment of sub-committee

purpose, membership, and delegation—it simply enables this to happen in a prioritised and proportionate manner, without disrupting operational continuity.

Crucially, under Option 3, all decision-making authority transfers to the licensed Code Manager from day one. Legacy mandates cease to carry weight, ensuring all sub-committees operate under the new governance framework without creating a vacuum in managing day-to-day code functions.

In our view, Option 3 enables Code Managers to focus on reform areas where change is most needed, while continuing to draw on the expertise of existing groups. This offers a better balance between reform ambition and practical implementation.

Regulatory best practice supports interventions that are targeted, proportionate, and evidence based. Option 3 reflects this, keeping all groups in scope for future reform but avoiding premature or unnecessary disbandment. It preserves operational continuity, reduces the immediate burden on the system, and supports a more strategic transition to the new model.

We agree with Ofgem's assessment of Options 2 and 4 and do not regard them suitable for further consideration.

**Q15: Do you agree with our proposals for the running of subcommittees, including that code managers chair and provide the secretariat in all cases?**

We agree with Ofgem's proposals for the operation of code sub-committees, provided they are implemented in line with regulatory best practice and proportionality. Ofgem's guiding considerations – independent and objective decision-making, simpler governance, minimal disruption, and use of the right expertise – are sound principles that RECCo supports. Under the new model, code managers would assume functions historically held by code panels, including chairing sub-committee meetings and providing secretariat support. We view this standardisation positively, as it builds on existing REC practice (the REC Code Manager already supports many sub-committees' administration) and should enhance coordination across code activities. A code manager chairing each sub-committee can help ensure impartial conduct of business and consistent application of terms of reference, while still drawing on members' technical expertise. It will be important that code managers remain neutral facilitators – for example, setting agendas collaboratively and reflecting all views – so that industry experts continue to contribute fully despite the change in formal leadership. This continuity of engagement will mitigate risks of any loss of stakeholder buy-in as roles shift.  In many cases this is a nominal change – effectively updating references from "Panel" to "Code Manager" – and so should not undermine existing expertise or effective processes.

**Q16: Do you agree that the same approach we are taking for subcommittees should be applied to performance assurance boards or committees where these are already in place?**

RECCo supports Ofgem's proposal to align Performance Assurance Boards (PABs) with the new sub-committee model and to transition decision-making responsibilities to the licensed Code Manager. This approach reflects Ofgem's broader code reform aims of simplifying governance and ensuring clearer lines of accountability.

Under current REC arrangements, the Performance Assurance Board, reports to the RECCo Board and includes independent and consumer representation. Its role encompasses oversight of market participants' compliance, as well as the effectiveness of assurance techniques applied by the Code Manager. In this respect, the PAB performs not only a delivery function but also a governance role— holding the Code Manager to account for how it executes the Performance Assurance Framework (PAF).

We are currently undertaking a review of the REC Performance Assurance Framework, which will assess whether the current arrangements continue to deliver value for money and are fit for purpose in a

reformed governance environment. Our position on the future role and remit of the PAB may evolve based on the findings of this review.

**Q17: Do you have any views on whether we should introduce performance assurance frameworks to the consolidated electricity technical code and electricity commercial code?**

RECCo supports the potential introduction of Performance Assurance Frameworks (PAFs) into the future Electricity Technical and Electricity Commercial Codes, provided any extension is proportionate and tailored to the risks and functions of each code.

While codes like the REC, BSC, UNC and SEC have mature PAFs with dedicated Performance Assurance Boards (PABs), others—such as the Grid and Distribution Codes—rely on licence-based compliance and bilateral oversight. Extending assurance arrangements to all consolidated codes could enhance consistency, simplify oversight, and give stakeholders confidence that all core obligations are appropriately monitored.

However, a one-size-fits-all approach would be inappropriate. The scope and design of any new PAF should reflect the code's specific risk profile and participant behaviours. For example, a PAF for the Electricity Technical Code might focus on data quality or system reliability where these are not already subject to robust enforcement. In some cases, light-touch measures such as reporting and transparency may be sufficient.

We welcome Ofgem's intention to explore this further through code consolidation workgroups and support ongoing engagement with relevant stakeholders—including networks, system operators, suppliers and consumer advocates—to assess gaps and avoid duplication. Existing assurance mechanisms should be retained where effective and integrated where possible.

In principle, we support extending the culture of performance accountability across all codes, but this should be done in a pragmatic, risk-based way. This ensures effective compliance without introducing unnecessary complexity, in line with the broader goals of proportional, consumer-focused governance reform.

**Q18: Do you agree with our preferred option of making the code manager decision maker for all code derogations?**

RECCo supports the continued development of a streamlined and transparent derogation process, including the principle that the Code Manager should make final decisions and be appropriately accountable for them. However, with RECCo appointed as the REC Code Manager, we would want to continue to delegate this role to the PAB which under the REC is a designated subsidiary of the RECCo Board. We would not support fundamental changes to the established REC framework—particularly the removal of the Performance Assurance Board's (PAB's) role.

The REC's derogation and sandbox processes have been carefully designed to enable innovation while maintaining robust oversight. They are working effectively. The PAB would continue to provide an independent, impartial perspective informed by stakeholder feedback and performance data. Removing its involvement risks diminishing both the analytical rigour and stakeholder confidence that currently underpins the process.

We consider it appropriate for the Code Manager to coordinate derogation applications and conducting the initial assessment. As a sub-committee of the Code Manager, under the REC, we would envisage the PAB continuing to retain a formal role in reviewing impacts—particularly where derogations may affect other parties or set wider precedents. Much like the SAF provides input on modification proposals, the PAB adds essential scrutiny to ensure decisions are proportionate, well-evidenced, and fully considered.

This preserves necessary checks and balances and separates technical analysis from the final authorisation in high-impact cases.

We also strongly support Ofgem's emphasis on reporting and learning. Derogations, and especially sandbox trials, must be treated not as one-off exemptions but as structured opportunities to test, evaluate, and inform future code development. We recommend all trials be subject to post-implementation review, with findings published and—where appropriate—used to shape future code modifications. This will ensure that positive innovations are embedded and unsuccessful trials provide learning.

In summary, while we support a streamlined and accountable derogation process led by the Code Manager, we would anticipate continuing with the REC's existing governance model—with continued input from the PAB—strikes the right balance between efficiency, oversight, and innovation. Any future development should build upon this proven foundation, not displace it.

**Q19: In terms of sandbox derogations, do you agree that in the long-term there should be a harmonised process across all codes? Do you have views on our options for how SAF members are consulted on sandbox derogation requests?**

Yes, we agree that the sandbox process should be harmonized as that will reduce the burden on the largely external innovators and disruptors that the arrangements are intended to encourage engagement from. To the extent that a derogation is effectively a short-term targeted change that enables a new idea to be tested, we agree that there may be a role for the SAF, though we also consider that there should be a continuing role for the PAB, in the case of RECCo, as that body is likely to be better placed to comment on and mitigate the risks that are likely to arise from the proposed derogations from prevailing rules. They are also likely to take the lead on developing any enduring change that may result from a successful derogation.

**Q20: Do you have views on what works well within existing sandbox derogation processes? Or views on what should change?**

To date, we have not had enough proposal requests to go through the sandbox process on which to draw any firm conclusions.

## Cost Recovery

**Q21: To what extent do you agree with the proposal to retain the existing code administrator cost recovery methodologies in the BSC and the REC? (Noting that appropriate consequential changes would need to take place)?**

RECCo welcomes Ofgem's recognition that the REC cost recovery methodology is **transparent, cost-reflective, and equitable**, and we support the proposal to retain this methodology under the new licensed arrangements.

The current approach ensures that costs are recovered on a fair basis from energy suppliers and distribution network operators, proportionate to their market share. This not only supports equitable cost allocation but also avoids undue burden on smaller parties, preserving competitive neutrality.

We also agree that retaining this model will **minimise disruption** during the transition to the licensed Code Manager framework. The methodology is well-understood by stakeholders and has proven effective at supporting RECCo's operational and strategic functions.

That said, we constantly consider how improvements can be made. RECCo has taken steps to **further improve the transparency** of our budgeting and charging approach. As highlighted in our Charging

Statement and supporting engagement materials, we are continuing to enhance how we communicate budgets and charges to market participants, including through clearer line-item breakdowns and early engagement on annual forecasts.

We note and support Ofgem's intention to work with RECCo and Elexon to make any **adjustments to the presentation of the charging methodology or charging statements** as may be required to reflect the new Code Manager arrangements. We are committed to working collaboratively with Ofgem and stakeholders to implement any such changes efficiently and transparently.

**Q22: Are there any specific factors or concerns we should consider when carrying out the consequential changes required to implement the changes to the cost recovery mechanisms?**

While we appreciate that Ofgem is aiming to develop a generic code manager regime that can apply to any of the industry codes, we remain concerned that the definition of Code Manager activities does not adequately reflect the full range of services provided and is overly focused on the management of change. In the case of the REC, RECCo was specifically established not only to manage the REC, but to procure and manage the services provided pursuant to the REC. We will address this further in our response to the parallel consultation on draft code manager licence conditions but are keen to ensure that these definitional issues do not inadvertently cause problems in respect of cost recovery. Ofgem has previously confirmed its intention to address the current anomaly whereby an explicit allowance is made in the operating cost baseline of the default tariff cap to cover the costs of Elexon and Xoserve, but not those of other codes such as the REC.[1] We would welcome confirmation from Ofgem that notwithstanding the final definition of Code Manager activities to be used within the Code Manager's licence, energy suppliers funding obligations under the REC will be recognised and allowed for in full under the default tariff cap.

**Directing Central System Delivery Bodies**

**Q23: To what extent do you agree with the proposed approach to issuing directions to responsible bodies for designated central systems, in particular the proposed consultation process?**

We support Ofgem's proposal to include the ability to issue directions to designated central system providers within the scope of energy code reform implementation powers, particularly where those systems are not fully governed by industry codes. For RECCo, this is especially important in the context of the Data Communications Company's (DCC) role in providing the Central Switching Service. As Ofgem has decided not to transfer full governance of switching services to the REC, this creates an ongoing dependency for REC parties and the Code Manager, who are responsible for delivering Strategic Direction Statement (SDS) priorities that may rely on timely changes to DCC-managed systems.

Without a formal mechanism for Ofgem to intervene where needed, there is a risk that critical market reforms could be delayed or undeliverable due to misaligned accountability or lack of responsiveness from external service providers. The proposed direction power helps mitigate this risk by ensuring Ofgem can act to unblock delivery constraints, where other governance mechanisms may not apply or prove insufficient.

We also support the proposed consultation process associated with issuing such directions, including publication of draft directions, the opportunity for stakeholder representations, and the consideration of cost impacts. This strikes a fair balance between regulatory oversight and operational transparency, ensuring that directions are applied proportionately and with due process.

In summary, we agree that the ability to issue directions to central system providers—where their services materially impact code delivery but fall outside of direct industry governance—is a necessary safeguard

---

[1] 'Energy price cap operating cost and debt allowances consultation', Ofgem, Dec 2024.

within the reformed code framework. It provides an essential backstop that will help ensure delivery of code manager responsibilities and Ofgem's strategic priorities.

**Q24: Are there any factors we should consider when carrying out the consequential changes required to implement the power to direct responsible bodies for central systems?**

Although the central systems in scope of the direction power have already been designated, we believe it is important for Ofgem to proactively engage with all affected code managers to map their delivery plans and identify any dependencies on these systems at an early stage. This engagement should inform the timely inclusion of the relevant system providers within the SDS delivery framework, ensuring their roles are clearly defined and sequenced appropriately.

To support this, RECCo recommends that designated system providers (where they are not a Code Manager, for example, Smart DCC as the responsible organisation for the Central Switching Service) be invited to participate in the revamped Cross-Code Steering Group (CCSG). Their inclusion would help ensure that delivery plans are both realistic and collaborative, and that dependencies are tracked and resolved transparently. Early engagement, combined with a robust governance mechanism, will support high-quality, evidence-based planning and reduce the risk of delivery failure or misalignment.

By embedding system providers in the wider planning process, Ofgem can help secure whole-system delivery that aligns with the broader objectives of reform.

**Implementation and Assurance Approach**

**Q25: Do you have views on our approach to allocating roles and responsibilities to the range of implementation activities?**

RECCo broadly supports the proposed approach to allocating roles and responsibilities for delivering code reform. We particularly welcome the clarity Ofgem provides around the distinct roles of the Authority, the licensed Code Managers, and stakeholder forums in implementing the Strategic Direction Statement (SDS). The allocation of responsibility to Code Managers for developing and delivering code-specific plans is both pragmatic and proportionate.

This approach closely mirrors the successful methodology adopted during the Retail Code Consolidation (RCC), where responsibility for delivering the REC was delegated to RECCo under Ofgem's strategic steer. That model combined regulator leadership, industry delivery expertise, and external programme support to coordinate across multiple code transitions and proved effective in balancing accountability with agility.

We agree with the principle that licensed Code Managers should lead on the delivery of SDS priorities within their codes and be accountable for planning, stakeholder engagement, and delivery. For existing codes such as the REC and BSC, where the delivery infrastructure and governance are already mature, we see significant benefit in utilising current change processes—particularly for changes expected to be enacted with minimal disruption. This includes using the established triage, impact assessment, and consultation mechanisms to deliver Phase 1 reforms efficiently.

In contrast, for codes earmarked for consolidation (e.g., those forming the future technical or commercial codes), where enduring governance is not yet fully in place, we recognise there may be greater reliance on transitional support, including externally appointed programme teams or temporary governance structures. It is appropriate for these arrangements to be tailored to the maturity and complexity of the relevant code environments.

We support Ofgem's intent to avoid unnecessary duplication of roles or oversight and believe that embedding roles clearly within licences and supporting documentation (including the SDS) will ensure transparency and efficiency. The proposed model offers a robust and scalable framework for implementation, provided it remains flexible to reflect the varying stages of readiness across the codes.

In summary, RECCo supports the allocation of delivery responsibility to Code Managers, subject to proportionality and code-specific circumstances, and encourages Ofgem to reflect the lessons from RCC in maintaining continuity and minimising transitional disruption where possible.

**Q26: Do you have views on the completeness of the list of implementation activities, and how we expect to be assured of good outcomes?**

We consider that the list of implementation activities set out in the consultation and considers it to be a sound foundation for planning and coordination across the reform programme. The identified workstreams—covering consequential changes, code manager licensing, and code consolidation—capture the key areas where coordinated delivery effort will be required.

We welcome the structured, phased approach, and the use of implementation workgroups to inform delivery. This reflects good practice in regulatory programme management and aligns with the lessons of the RCC programme, which benefited from early discovery work and clearly scoped deliverables.

That said, we recommend that Ofgem remain open to identifying additional implementation activities as the work progresses. For example, there may be further cross-code process changes or system integrations (e.g. around central services or performance assurance reporting) that emerge through the detail of legal drafting or readiness assessments. A flexible framework for updating the implementation activity list will ensure that any emerging issues can be addressed without delay.

On assurance, we consider it critical that roles and expectations are clearly defined for each party contributing to delivery—including licensed Code Managers, existing code bodies, and Ofgem itself. Each should be responsible for producing and maintaining delivery plans, setting out deliverables, milestones, and interdependencies. Regular status reporting, supported by transparent readiness criteria, will help ensure that progress is objectively tracked.

We welcome Ofgem's intention to coordinate closely with RECCo and other existing bodies and note that this may extend to commissioning independent assurance where appropriate. This provides confidence that implementation activities will not only be delivered to time and quality, but that risks to consumers and market participants will be effectively managed. However, we would also expect that any assurance should be targeted and proportionate and do not impose unnecessary cost or distract from the very implementation activities that are to be assured

**Q27: Do you agree with our view on the responsibility individual stakeholders should have in readiness for the transition?**

RECCo agrees that the proposed responsibilities for individual stakeholders during the transition are appropriate and proportionate. The roles outlined for Code Managers, market participants, and Ofgem reflect the level of engagement and accountability needed to support a smooth and coordinated implementation. We particularly support the emphasis on clear delivery planning, early engagement, and readiness assurance.

**Q28: Are there specific ways we can facilitate timely industry readiness?**

While Ofgem's proposed allocation of roles is clear and appropriate, industry readiness could be further supported by structured coordination mechanisms, rehearsal exercises, tailored stakeholder support, and transparent planning artefacts. In particular, a consolidated transition plan incorporating all major implementation streams, interdependencies, and key dates should be produced and maintained centrally by Ofgem and updated as plans evolve.

**Q29: Do you agree with our proposed approach to the implementation and monitoring of the code manager candidate?**

Establishing clear expectations and progress reporting will provide confidence to stakeholders and help ensure that the transition to licensed code management is smooth and effective.  As such, we support the proposed approach to implementation and monitoring of the code manager candidates and agree that a structured process will be important to ensure preparedness and successful transition.

We agree that Ofgem should retain a central coordination role and may require candidates to demonstrate progress against readiness plans, potentially supported by independent assurance. This is consistent with good governance and mirrors similar approaches used during previous reforms such as Retail Code Consolidation (RCC) and Market-wide Half-Hourly Settlement.

However, we consider that the level of oversight and reporting should be proportionate to the scale of change required for each code. For the REC and BSC, which form part of Phase 1 and are already supported by mature and well-established governance frameworks, we expect that the transition to licensed status will be relatively straightforward. The scope of change for these codes is limited, and many of the functions to be delivered by the future Code Manager are already being performed effectively by RECCo and Elexon.

As such, we would expect the implementation and monitoring requirements for Phase 1 Code Managers to be relatively light-touch—focusing on formalising existing arrangements, confirming continuity of service, and addressing any consequential updates to governance documentation. This would avoid unnecessary duplication or administrative burden while still ensuring readiness.

By contrast, for future phases involving code consolidation—where new governance structures may need to be created and new Code Managers appointed—more detailed implementation and oversight will rightly be needed. These scenarios involve greater complexity and risk, and a more hands-on assurance model may be justified.

**Q30: Do you agree with the list of products proposed for the final assurance assessment to demonstrate compliance with the standard licence conditions?**

We recognise that the requirements for the final assurance assessment may continue to evolve as the code manager licence itself is still being consulted upon, but at this stage we have no concerns with the list of produces set out in Table 7 of the current consultation, or the draft licence conditions more generally.

**Q31: Do you agree with our proposals on code consolidation (including use of workgroups, and early proposals on the common contractual framework)?**

We agree with the proposed approach to code consolidation.

**Transition Plan**

**Q32: Does our plan capture the critical path activities for a 2026 go-live for the phase 1 codes? If not, what is missing and how would it improve the deliverability of our plan?**

While we appreciate that the planning at this stage is at a high level, we agree with the broad structure and phasing of the implementation activities set out by Ofgem and welcome the emphasis on early engagement and coordination. However, we believe that further detail will be required, detailing a number of further critical activities that should be more explicitly included.  For instance, it will be important to recognise that each code body will have internal assurance and governance decision points that should be visible.  For code managers transitioning to licensed status, key gateways such as Board approvals are essential steps in confirming readiness. These checkpoints underpin formal submissions and

will be part of our internal accountability processes. Reflecting them more clearly in the industry-level plan would strengthen transparency and alignment.  We would also encourage the more explicit mapping of interdependencies with other regulatory programmes, such as the DESNZ consultation on the Code Manager licence. These are already factored into our own delivery plan and could affect key sequencing decisions.

**Q33: Are there activities in the business-as-usual timetable for the codes you believe are important to build into our plan? What are they and why?**

Code Reform will be one of many deliverables for each of the affected codes, several of which will be included in Ofgem's SDS directions to the code bodies.  It is expected that the SDS requirements will be subject to a delivery plan that it is hoped will provide the code bodies with appropriate discretion of the relative prioritisation and scheduling of those, and other activities in order to marshal their resources effectively and efficiently.  Given that Code Reform has already taken six years to get to this point and will take several more to complete, ensuring that further readiness activities are considered in the round along with the needs of other programmes would seem proportionate and avoid unnecessary disruption to those other programmes.