

By email only: industrycodes@ofgem.gov.uk

28 March 2025

RECCo response to: preliminary Strategic Direction Statement and code governance arrangements

We welcome the opportunity to respond to Ofgem's consultation on the preliminary Strategic Direction Statement and code governance arrangements. This non-confidential response reflects our views as the manager of the Retail Energy Code (REC), which governs key aspects of the retail energy market.

RECCo is a not-for-profit, corporate vehicle established to ensure 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.

As requested, we have set out consultation responses in the template provided, including the following key points:

- **'Act Now' initiatives must be clear, realistic and deliverable:** We support the principle of strategic direction-setting but stress the need for precision and realism in the 'Act Now' category. Only initiatives that are well-defined, previously signposted, and clearly actionable within a two-year timeframe should be included in this category.
- **Early engagement with Code Bodies will improve deliverability:** Ofgem engagement with code bodies before the SDS consultation would help to identify delivery risks, clarify ownership, and ensure feasibility. Upfront engagement will also support better resourcing, clarify scope and reduce delays in subsequent delivery planning.
- **Cross-Code collaboration should be formalised and structured:** Given the number of SDS items with cross-code implications, we would welcome regular cross-code collaboration meetings involving Ofgem, particularly where it is unclear which code body should lead on a given matter. A structured approach would ensure consistent planning, reduce duplication, and foster shared ownership of key initiatives.
- **Prioritisation should be weighted, not binary:** We do not support a rigid binary system of "priority" versus "non-priority" changes. Instead, we would prefer a relative weighting approach, as currently used under the REC, which enables more flexible and responsive planning. This will be especially important when multiple code bodies must prioritise their workloads in a coordinated way.
- **SDS timelines should align with code budgeting cycles:** To ensure delivery plans are properly resourced, the SDS process must be timed to align with budget-setting cycles, which typically occur in the winter, to allow for consultation and budgets to be set ahead of the financial year. SDS timing must be synchronised with annual planning cycles to allow for realistic and funded delivery plans.

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If you would like to discuss our response in more detail, please do not hesitate to contact me or a RECCo colleague.

Yours sincerely,

Jon Dixon,
Director, Strategy and Development

Consultation

Consultation on the preliminary Strategic Direction Statement and code governance arrangements

Publication date:	31 January 2025
Response deadline:	28 March 2025
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We are consulting on a preliminary Strategic Direction Statement (SDS)¹ which sets out Ofgem’s strategic assessment of government policies and developments in the energy sector that we consider will or may require code modifications to help coordinate and prioritise strategic change across the codes. This preliminary SDS is a precursor to the SDS that will be prepared and published following designation of industry codes.² We are also consulting on changes to code governance arrangements including a consistent modification prioritisation process across industry codes and a licence obligation to cooperate with the code modification process where it supports SDS alignment. These proposals are part of wider code governance reforms and we would like views from people with an interest in energy code governance. We welcome responses from other stakeholders and the public.

This document outlines the scope, purpose and questions of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at

¹ An explanatory definition of ‘SDS’ is included in the glossary, please refer to Appendix 3.

² Designated documents refers to the industry codes that will be designated by the Secretary of State (per s.182 of the Energy Act 2023) prior to code manager appointment. The first code manager is expected to be appointed in 2026. This designation is distinct from the designation of ‘qualifying documents’ (per paragraph 1 of Schedule 12 to the Energy Act 2023) which is a transitional designation to allow use of Ofgem’s transitional powers on codes that have been designated as qualifying documents. We expect designation of industry codes to happen in parts, where we refer to “designation of industry codes” throughout this document, this refers to designation of any particular code or codes as the case may be.

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[ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations). If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

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Director Foreword

Our energy system is transforming as we transition to net zero. As we look towards the energy system of the future and achieving government's goal of clean energy by 2030, it is vital that industry codes can evolve to support this transition.

Industry codes contain the detailed rules of participation in the energy markets and define the terms under which industry participants can access the electricity and gas networks. Significant governance reform of these codes is underway following the passing of the Energy Act 2023. Where possible we have sought to bring forward the benefits of this reform, this includes our decision to introduce a preliminary Strategic Direction Statement (SDS) for industry codes early, and in advance of code manager appointment.

This preliminary SDS provides a strategic assessment of where government energy policy will or may require changes to the codes to implement policy outcomes and realise their benefits. It brings this together in a single document for Ofgem, code administrators, code managers, code panels and parties to act on. It is a key enabler for us to work together to have a codes framework that supports us in delivering the clean, affordable, and secure energy system our customers need and deserve.

The SDS is an important part of Ofgem's new strategic role in industry codes. We intend to publish a preliminary SDS, in advance of our formal legislative duty coming into effect, so that we can work with industry to get the enduring process, roles and responsibilities, and its implementation right. We are looking forward to the SDS evolving, with the input of stakeholders, and maximising the benefits for consumers.

The preliminary SDS is ambitious in its scope. It has been written with stakeholders in mind and with the intention of facilitating the implementation of code modifications that will help meet Ofgem, government and the energy sector's shared strategic priorities.

The future code governance framework must be able to respond to the evolving sector. That means it should enable strategic change driven by government policy priorities whilst also recognising the expertise of industry in identifying change required to better facilitate the code objectives. To support this balance, we are proposing a prioritisation framework, that if progressed, we hope will allow parties to assess SDS-related modifications and industry-led modifications equally. Alongside this, we are also proposing to introduce a new standard licence condition to obligate a licensee to cooperate with the code manager in the development of code modifications related to the SDS. This proposal reflects the important role of stakeholders in the delivery of

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strategic change and, if implemented, we hope will help to progress SDS-related modifications.

The role of industry stakeholders is, and will continue to be, central to the operation and development of the industry codes. We have worked closely with stakeholders to develop our approach to the SDS and code governance arrangements.

In this consultation we encourage views on how we can best implement the SDS to maximise the role that industry codes play in enabling government energy priorities and policy to benefit consumers.

We thank you for your continued engagement and we look forward to hearing your views on this consultation.

Cathryn Scott
Director of Market Oversight & Enforcement

Neil Kenward
Director of Strategy, Economics, Research and Net Zero

Executive Summary

The Strategic Direction Statement

We are consulting on our³ preliminary Strategic Direction Statement (SDS)⁴ for industry codes, this is a precursor to the SDS that will be published following designation of industry codes.⁵ For ease, we will refer to this preliminary SDS as the 'SDS' throughout this document. The SDS is ambitious in its scope, addressing all industry codes within the scope of code governance reform and looking up to five-years ahead, with a focus on the next 1-2 years. We propose roles and responsibilities for contributing to and implementing the SDS and explain proposals to progress SDS-related code changes under existing governance. To support delivery of the SDS, policy priorities are grouped based on the timeframe for implementation. We hope that this approach will support code administrators, code panels and parties in progressing SDS-related modifications, to enable the implementation of policy outcomes through the codes.

Code governance arrangements

The transitional powers provided by the Energy Act 2023 give Ofgem the ability to modify licences and codes. Following designation in accordance with the provisions in Schedule 12 of the Energy Act 2023, we propose (subject to the requirements of consultation), to use these powers to bring about governance changes that will facilitate the progression of SDS-related modifications and support the transition to the new governance framework. We are consulting on the introduction of the following changes:

- A consistent modification prioritisation process across industry codes
- A licence obligation to cooperate with the code modification process where it supports SDS alignment, at a code manager's reasonable request.

We are seeking stakeholder views on the preliminary draft SDS, the proposed governance changes and the associated legal drafting.

³ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to the Gas and Electricity Markets Authority (GEMA). The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work.

⁴ An explanatory definition of 'SDS' is included in the glossary, please refer to Appendix 3.

⁵ Codes will be designated by the Secretary of State (per s.182 of the Energy Act 2023) prior to code manager appointment. The first code manager is expected to be appointed in 2026. This designation is distinct from the designation of 'qualifying documents' (per paragraph 1 of Schedule 12 to the Energy Act 2023) which is a transitional designation to allow use of Ofgem's transitional powers on codes that have been designated as qualifying documents. We expect designation of industry codes to happen in parts, where we refer to "designation of industry codes" throughout this document, this refers to designation of any particular code or codes as the case may be.

Next steps

Following this consultation:

- We intend to make a decision on the content and structure of the preliminary SDS and, subject to the outcome of that decision, publish the preliminary SDS.
- We also expect to make a decision on (i) our policy proposals regarding code governance reform, as set out in section 3 of this document. If we decide to proceed with those proposals, we expect to follow up with a further consultation, pursuant to Scheduled 12 of the Energy Act 2023 in due course; and (ii) whether to proceed with our proposals that the definitions of Prioritisation Category and Prioritisation Criteria be contained in separate guidance, as set out in Annex B to this document.

1. Introduction

- 1.1 The [Energy Act 2023](#) (the 'Act') gives new powers and responsibilities to Ofgem, enabling us to implement significant reform to the governance of the industry codes. These reforms include giving Ofgem powers to appoint and license code managers and establishing a duty for Ofgem to publish an annual strategic direction statement (SDS) for designated documents.⁶
- 1.2 The SDS contains a strategic assessment of government policy and developments related to the energy sector that will or may require changes to the industry codes. It brings this together in a single document for industry stakeholders to act on, to implement policy change and realise policy benefits. In future, code managers will be responsible for managing the code change process and ensuring codes develop in line with the SDS.
- 1.3 In January 2024⁷ ([January Implementation Consultation](#)) we consulted on our approach to implementing code governance reforms, including our approach to the SDS and new code governance arrangements. A majority of respondents agreed with our proposal to publish an SDS before code manager appointment and following the January Implementation Consultation we decided to proceed with publishing a preliminary SDS in 2025⁸ ([August Implementation Decision](#)).
- 1.4 The energy system has a critical role to play in people's lives. Ambitious reforms are underway to help build a clean, secure energy system and to meet the government's ambitious net zero targets. As a consequence, we consider that it is reasonable and proportionate to begin our strategic assessment of current government policies and developments in the energy sector in order to identify modifications that we consider will or may require changes to be made to industry codes in their current form. Therefore, we have prepared a preliminary SDS for industry codes in advance of code manager appointment and are now consulting on the potential content, structure and implementation of the SDS, to

⁶ Designated documents refers to the industry codes that will be designated by the Secretary of State (per s.182 of the Energy Act 2023) prior to code manager appointment. The first code manager is expected to be appointed in 2026. This designation is distinct from the designation of 'qualifying documents' (per paragraph 1 of Schedule 12 to the Energy Act 2023) which is a transitional designation to allow use of Ofgem's transitional powers on codes that have been designated as qualifying documents.

⁷ [January Implementation Consultation](#)

⁸ [August Implementation Decision](#)

help inform the preparation of future SDS documents once our legislative duty takes effect.

- 1.5 We consider that publishing a preliminary SDS before codes have been designated and code managers appointed will help prepare prospective code managers for their role and facilitate the transition to the new governance framework. Although this will be before our formal obligation to publish the SDS has come into effect, we consider that publishing a preliminary SDS will allow stakeholders to understand the SDS process, for that process to be refined, and will provide opportunity for strategic change to be progressed under existing governance. The first code managers are expected to be appointed in 2026, prior to this we consider there is opportunity for SDS-related modifications (in so far as these are compatible with current objectives and procedures) to be progressed through existing code modification processes.
- 1.6 To inform the development of the SDS we engaged stakeholders during summer 2024. Code administrators⁹, code panels and central system delivery bodies (CSDBs) attended workshops to provide feedback on SDS development. This was a valuable opportunity for stakeholders to inform our approach to the SDS and further engagement is planned in early 2025.
- 1.7 This consultation sets out our approach to the SDS. The draft preliminary SDS can be found in subsidiary document 1: Preliminary Strategic Direction Statement for industry codes.
- 1.8 We are also consulting on the introduction of a process that aims to extend and harmonise the ability of code panels to prioritise code modifications against a set of criteria that is consistent across all codes. We are consulting on the proposed code legal text.
- 1.9 Alongside this, we are consulting on our proposed drafting for a new standard licence condition for all existing gas and electricity licences. This condition would mean a licensee is under an obligation to cooperate with the code manager in the development and delivery of code modifications related to the SDS, where reasonably requested. We propose to make this licence modification for all

⁹ Throughout this document 'code administrators' includes the existing code manager of the Retail Energy Code. This is to avoid confusion with future code managers that will be appointed as part of code governance reform.

licence types in preparation for the first code manager appointment, however the obligation will only commence when the relevant code manager is appointed.

Background

- 1.10 The industry codes contain the detailed rules of participation in the electricity and gas wholesale and retail markets. Proposals to reform the governance of these industry codes was informed by the Competition and Market Authority's (CMA) [Energy market investigation](#) (2016). The investigation found that the existing code governance framework resulted in adverse impacts on competition arising from code parties' conflicting interests. It also found that there were limited incentives for industry to deliver strategic change and insufficient ability for Ofgem to set a strategic direction to implement policy changes, increasing the risk of changes that are in customers' interest not being delivered in a timely and efficient way.
- 1.11 Subsequent consultations set out the proposed reforms and the government response to the [Design and Delivery of Energy Code Reform consultation](#) (2022) confirmed that Ofgem would take on new roles including licensing code managers and publishing an annual strategic direction for codes. The publication of an annual strategic direction seeks to address the issues related to the strategic development of codes identified in the CMA review.
- 1.12 The passage of the Act is a milestone for the energy sector in Great Britain, creating a comprehensive new legislative regime for energy production, security, and regulation. The Act gives new powers and responsibilities to Ofgem, enabling us to implement significant reform to the governance of the industry codes, including, the appointment and licensing of code managers. The first code manager is expected to be appointed in 2026.
- 1.13 In our January Implementation Consultation we published our proposed approach to implement energy code reform. This included, among other things, our proposals for developing and delivering the SDS, including the proposed role of code managers and industry participants in this process. It also set out our intention to harmonise the code modification prioritisation processes under the existing arrangements.
- 1.14 Following our consultation, in our August Implementation Decision we published our policy decisions on the proposals we sought views on and also noted our

intention to consult further on detailed implementation proposals in due course, including consultations in accordance with Schedule 12 of the Act, where applicable. Our policy decisions included a decision to proceed with publishing a preliminary SDS in 2025, notwithstanding that our statutory obligation under [the Act](#) does not take effect until industry codes are formally [designated by the Secretary of State](#). It set out our decision to continue developing our proposals to introduce a new standard licence condition in all gas and electricity licences to reflect the important role of code parties and stakeholders in delivering the SDS. It also set out our decision to further consult on the specifics of the proposed licence and code drafting in due course.

- 1.15 We also decided to take forward our proposals to introduce a consistent set of prioritisation criteria, to harmonise and extend the ability of code panels to prioritise code modification proposals.

What are we consulting on

- 1.16 We are consulting on our approach to developing the SDS following designation of codes in accordance with the Act, and in anticipation of our duty to prepare and publish a SDS following designation. We are also consulting on the potential content, structure and implementation of a preliminary SDS, to help inform the preparation of future SDS documents once our legislative duty takes effect.
- 1.17 We are also consulting on how we propose to modify licences and codes ahead of code manager appointment to support the transition to a new governance regime. We are setting out proposals for a harmonised process for code panels to prioritise modifications and for this to be assessed against consistent criteria.
- 1.18 To ensure appropriate arrangements are in place ahead of granting of a code manager licence we are consulting on our proposals to introduce a new standard condition in all gas and electricity licences, see 1.9 above.

Context and related publications

- 1.19 On 19 December 2024 the Department for Energy Security and Net Zero (DESNZ) announced a [Review of Ofgem](#). The aim is to review the role of Ofgem to ensure that it can support an energy market where innovation and high standards help drive better products and services for consumers. The review will focus on:

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- Ofgem’s mandate
- The powers Ofgem has to protect consumers
- Ofgem’s scope and remit
- The standards Ofgem sets and how redress is made when standards are not met
- The call for evidence for the review is set to close on 28 February 2025, with outcomes expected in the spring.

1.20 Documents related to this publication include:

- [Consultation on the implementation of energy code reform](https://www.ofgem.gov.uk/consult/condocs/energycode/energycodeconsultation.htm) (ofgem.gov.uk)
- [Implementation of Energy Code Reform: consultation decision](https://www.ofgem.gov.uk/consult/condocs/energycode/energycodeconsultationdecision.htm) (ofgem.gov.uk)
- [Modification Process Workgroup report](https://www.ofgem.gov.uk/consult/condocs/energycode/energycodeconsultationdecision.htm) – parts 1 and 2 (ofgem.gov.uk)

1.21 We continue to work jointly with DESNZ on the regulatory framework for energy code reform. We expect to publish a joint consultation with DESNZ in Spring 2025 on code manager licence conditions and updates to secondary legislation for code modification appeals to the Competition and Markets Authority (CMA).

2. Approach to the Strategic Direction Statement

Section summary

This section explains our approach to the preliminary Strategic Direction Statement (SDS) which will inform the development of future SDS documents.

This section should be read in conjunction with Subsidiary Document 1: Preliminary Strategic Direction Statement for industry codes, which includes the full draft of the SDS, and Subsidiary Document 2: Preliminary Strategic Direction Statement spreadsheet, which allows SDS content to be sorted by industry code.

Questions

Q1. Is the structuring of SDS content into three time horizons (Act now, Think & plan, Listen & wait) helpful?

Q2. Do you agree with the way modifications have been categorised into these three time horizons (Act now, Think & plan, Listen & wait)? If not, please specify what changes you suggest and why.

Q3. On the basis that the SDS should contain a strategic assessment of government policies and developments relating to the energy sector, that will or may require the making of code modifications, do you think there is anything missing from the SDS that you would expect to require code modifications in the next 1-5 years? If so, please specify.

Q4. Did you find the SDS easy to understand and do you think that the level of detail included is sufficient to allow you to begin raising and implementing code modifications?

Q5. If you are a code administrator or code panel what action do you intend to take, if any, to implement the SDS following publication?

Q6. Do you have any suggestions about the best way to implement the SDS in the context of budget setting, delivery planning and the introduction of a harmonised prioritisation process? Please note we will be doing stakeholder engagement in early 2025 to discuss this further.

Q7. Do you have any other feedback?

SDS development process

2.1 The Act prescribes that the SDS should set out strategic direction for 'designated documents' which are codes that have been designated by the Secretary of State, following a recommendation from GEMA, around the time of code manager appointment. We expect the first code manager to be appointed in 2026. In the absence of any designated documents our consultation in January 2024¹⁰ ([January Implementation Consultation](#)) set out our proposal for the SDS to address all codes within the scope of code governance reform. Our subsequent decision confirmed that the following codes would be included in the SDS with regard to our strategic assessment of government policies and developments to the energy sector that we consider will or may require the making of code modifications:

- Balancing and Settlement Code (BSC)
- Connection and Use of System Code (CUSC)
- Distribution Code
- Distribution Connection and Use of System Agreement (DCUSA)
- Grid Code
- Independent Gas Transporters' Uniform Network Code (IGT UNC)
- Retail Energy Code (REC)
- Security and Quality of Supply Standard (SQSS)
- Smart Energy Code (SEC)
- System Operator Transmission Owner Code (STC)
- Uniform Network Code (UNC)

2.2 This preliminary SDS has been prepared for the existing industry codes listed above. However, we recognise that future designated documents are not yet known and that any future SDS that is prepared and published in accordance with our legislative duty, once that takes formal effect, will relate to the relevant designated documents at that time. This will likely mean that a future SDS will be a hybrid document that will address both designated and not-yet-designated codes, until all codes have been designated.

¹⁰ [January Implementation Consultation](#)

- 2.3 The Act does not stipulate how many years ahead the SDS should look. In August 2024 we published our Implementation Decision¹¹ ([August Implementation Decision](#)), we confirmed that the SDS should focus on the making of modifications over the next one to two years, but that up to a five-year period may be covered depending on the policy area. During our summer stakeholder engagement we heard that looking up to five years ahead would support business planning, budget setting and accommodate the, sometimes lengthy, code modification process.
- 2.4 The Act sets out that the SDS must be published each year. This means that although the SDS will look up to five years ahead, we will undertake an annual assessment of government policies and developments related to the energy sector, as required by the Act. Based on this annual assessment, the content of the SDS will be reconsidered each year. We expect that in practice this will mean updating the SDS with emerging priorities and updating existing ones. Updates would include bringing policy outcomes forward year-on-year and providing more detail as policy is developed.
- 2.5 The Act stipulates that the SDS must “contain a strategic assessment of government policies, and of developments relating to the energy sector, that the GEMA considers will or may require the making of modifications to designated documents”. Our current assessment has focussed on the government’s [Strategy and Policy Statement](#) (SPS) which sets out “the strategic priorities, and other main considerations, of His Majesty’s government in formulating its energy policy for Great Britain”. This SPS was published in 2024 by the previous government. Alongside analysis of this SPS we have considered the priorities of the new government, in particular the Clean Power by 2030 mission and accompanying [Action Plan](#). We expect that over the coming year, as further energy policy decisions are made by government, the need for more modifications to industry codes will be identified. We will continue to work closely with DESNZ to identify relevant policy changes and/or updates and intend to take account of these as part of the strategic assessment that informs the content of the first SDS, issued in accordance with our legislative duty, which we hope to publish in 2026.

¹¹ [August Implementation Decision](#)

- 2.6 Ofgem’s Multiyear Strategy (the ‘Strategy’) outlines Ofgem’s strategic priorities for the next five years and beyond. The process for establishing these strategic priorities took into account government priorities and developments in the sector, including horizon scanning and engagement with industry stakeholders. The Strategy also helped inform our approach to the structure of this preliminary SDS and the policy areas that, in our view, will or may require the making of modifications to industry codes.
- 2.7 During SDS development we engaged with DESNZ to inform them of our intended approach to the SDS. We discussed our proposal to publish a preliminary SDS in 2025 and our proposed approach to our strategic assessment of government policies, as per the provisions in the Act. To inform this assessment, in future years we expect to establish a formal process by which DESNZ can share government policy developments (including developments from government departments outside DESNZ) with us during preparation of the SDS.
- 2.8 In preparing the SDS, the Act requires Ofgem to have regard to any advice given to it by the National Energy System Operator (NESO)¹². Before the launch of NESO on 1 October 2024 we engaged with the Electricity System Operator (ESO) in advance of it becoming the NESO. We sought input from ESO on our strategic assessment and they had the opportunity to provide feedback on our priorities and the SDS development process. Following the launch of NESO and the taking up of their new strategic functions we expect the way in which NESO will input into the SDS to be formalised.
- 2.9 As explained in the introduction, to bring forward the benefits of code governance reform, we are proceeding with our proposal to prepare and consult on a preliminary SDS ahead of our statutory obligation to do so coming into effect. The process for preparing this preliminary SDS, as described above, is designed to illustrate, as closely as possible, the process that we envisage will be followed in future years in the preparation of SDS to meet our legislative duty. There will be an opportunity to refine this process, and we welcome feedback from stakeholders about how this process could be improved.

¹² S.190 (4) In preparing a strategic direction statement, the GEMA must have regard to any advice given to it by the Independent System Operator and Planner so far as relevant to the matters referred to in subsection (3).

Implementation of the SDS

- 2.10 In future, we envisage that code managers¹³ may be subject to a licence obligation to prepare delivery plans setting out how they will facilitate delivery of the SDS through industry codes. Development of code manager licence conditions is ongoing and the intention is for these to be consulted on in spring 2025. Whilst there is no express obligation for code administrators, code panels and parties to implement this preliminary SDS in advance of code manager appointment, there has been positive feedback from stakeholders that implementation of this SDS can be supported under existing governance. For example, we expect that there will be opportunities for SDS-related modifications to be raised and progressed under existing governance before code manager appointment (in so far as these are compatible with current objectives and code modification procedures). In many instances, stakeholders will be aware of the direction of travel of policy development and the possibility that code changes may be required, since policy decisions will have already been consulted on. We recognise that to best enable implementation of SDS-related modifications Ofgem needs to have the right operating model and resources in place, to make modification decisions and attend working groups as appropriate.
- 2.11 As part of stakeholder engagement, planned for early 2025, we will seek to understand to what extent existing modifications will enable the SDS. We will also discuss implementation of the SDS, in particular in relation to code administrator budget setting and progression of SDS-related modifications during 2025-26.
- 2.12 Further information about the proposed roles and responsibilities for implementing the SDS can be found in the introduction of the SDS, in subsidiary document 1: Preliminary Strategic Direction Statement for industry codes.

¹³ In this context, 'code managers' refers to future code managers that will be appointed as part of code governance reform. This does not refer to the existing code manager of the Retail Energy Code.

3. Code governance arrangements

Section summary

This section explains our proposed changes to code governance arrangements.

It sets out how we intend to take forward our decision to harmonise and extend the ability of code panels to prioritise modification proposals.

It also includes our proposed drafting for a new licence obligation in all gas and electricity licences requiring licensees to cooperate in the development and delivery of code modifications related to the Strategic Direction Statement (SDS), when reasonably requested to do so by a code manager.

Questions

Prioritisation of code modifications

Q8. Do you agree with our proposed prioritisation process, including the requirements that:

- (a) a proposer of a modification proposal should be required to include an assessment of their proposal against the prioritisation criteria
 - (b) that the code panel should then be responsible for determining the prioritisation category of the modification proposal
 - (c) that code panels should reassess the prioritisation category of modification proposals on a quarterly basis
 - (d) that all codes contain a requirement for a code modification register, that also includes whether a modification is urgent and the prioritisation category
- If not, please specify what changes you suggest and why.

Q9. Do you agree with our proposed prioritisation criteria and prioritisation categories? If not, please specify what changes you suggest and why.

Q10. Do you agree with our proposed legal drafting of code modification prioritisation procedure included in Annex A? If not, please specify what changes you suggest and why.

Q11. Do you agree with our proposed definitions to form future guidance on Code Modification Prioritisation included in Annex B? If not, please specify what changes you suggest and why.

Q12. Do you have views on whether this proposed prioritisation process should also apply to all live modifications that exist at the date that the proposed code changes take effect, as well as newly proposed modifications from this date onwards?

Role of stakeholders

Q13. Do you agree with our proposed drafting of a new principles-based standard condition, for cooperation with code modifications related to SDS, for all gas and electricity licences, included in Annex C?

Q14. Do you agree with the proposed criteria the code manager should consider prior to issuing a request for cooperation?

Introduction

- 3.1 To implement the changes introduced by the Energy Act 2023 (the 'Act'), the existing code governance arrangements will need to change to reflect new roles and responsibilities. The transitional powers provided by the Act¹⁴ give Ofgem the ability to modify licences and codes. Before appointing code managers, we propose to use these powers to introduce consistent modification prioritisation processes and to create a licence obligation to cooperate with the code modification process where it supports SDS alignment, at a code manager's reasonable request. These proposals aim to facilitate a smooth transition to the new code governance arrangements and harmonise code governance processes.
- 3.2 We are consulting on proposals to introduce a consistent set of prioritisation criteria. Proposed changes to all¹⁵ codes to implement these changes are included in Annex A: Proposed legal drafting of code modification prioritisation procedure. Proposed definitions of prioritisation category and prioritisation criteria are included in Annex B: Definitions to form future guidance on Code Modification Prioritisation, which will form part of future guidance on code modification prioritisation.
- 3.3 We are also consulting on proposals to insert a new standard licence condition requiring licensees to cooperate with the development and delivery of code modification related to the SDS. The draft legal text to modify all gas and electricity licences¹⁶ is included in Annex C: Proposed legal drafting of new cooperation standard condition.
- 3.4 We are seeking feedback on these proposals to inform future consultations that would seek to modify relevant licences and codes.

¹⁴ As set out in Paragraph 2 of [Schedule 12 of the Energy Act 2023](#)

¹⁵ All codes refers to every code text and related document that has been or will be designated as a 'qualifying document' within the meaning of paragraph 1(1) of Schedule 12 to the Act.

¹⁶ Gas Transporter, Gas Interconnector, Gas Shipper, Gas Supply, Electricity Transmission, Electricity Distribution, Electricity Generation, Electricity Supply, Smart Meter Communication, Electricity Interconnector, Electricity System Operator, and Gas System Planner.

Prioritisation of code modifications

- 3.5 Under existing code modification processes, some code panels can determine the priority of a modification proposal submitted into the modification process.¹⁷ Ofgem is usually able to change the determination of the code panel.¹⁸
- 3.6 In August we published our decision on the implementation of energy code reform¹⁹ ([August Implementation Decision](#)). Here we set out that we would take forward proposals to introduce a consistent set of prioritisation criteria into all codes, to harmonise and extend the ability of code panels to prioritise the assessment of code modification proposals.
- 3.7 Our rationale for this decision included that this proposal would promote efficient governance of code arrangements as well as supporting industry's ability to dedicate time and resource to focus on higher priority modifications and help facilitate efficient cross-code change.
- 3.8 We also said we expect that introducing consistent prioritisation criteria and harmonising and extending the ability of code panels to undertake this activity, will support the introduction of the SDS and help facilitate a smooth transition to the new code governance arrangements.

Code Modification Prioritisation Criteria

- 3.9 Under existing code modification processes, some codes include prioritisation criteria that code panels must have regard to when determining the priority of modification proposals.²⁰ Common criteria can include complexity, importance and urgency.²¹
- 3.10 Our proposals intend to ensure that all codes include a prioritisation process that follows the same key stages and assesses modification proposals against a consistent set of prioritisation criteria.

¹⁷ The BSC, CUSC, Grid Code Panels and REC Code Manager (subject to the REC Change Panel's ability to overrule their determination under defined circumstances) can determine the priority of a modification proposal based on its complexity, importance and urgency. The STC Panel and SEC change sub-committee can also determine the priority of each modification proposal, but the codes do not set out a prioritisation criteria to be applied. The Distribution Code also allows the Panel to prioritise standard work as either 'Essential', 'Desirable', or 'Optional'.

¹⁸ The SEC does not include the ability for the Authority to overrule a determination on the priority of a code modification.

¹⁹ [Implementation of energy code reform: consultation decision \(ofgem.gov.uk\)](#)

²⁰ The STC Panel and SEC change sub-committee can also determine the priority of each modification proposal, but the codes do not set out prioritisation criteria to be applied.

²¹ These criteria can be found in the BSC, CUSC, Grid Code and REC.

- 3.11 We consider that requiring all modification proposals to be assessed against a consistent set of prioritisation criteria should support engagement with the modification process and make it more efficient. This would enable proposers to apply a single set of criteria to their proposed modification, to consider a modification's priority and highlight its anticipated impact on industry.
- 3.12 We are mindful of the complexities of the codes and acknowledge the expertise of the code administrators, code panels and parties. We will continue to engage with these stakeholders to understand the potential impact of our proposed changes.

Existing Urgency Processes

- 3.13 We do not intend to amend existing processes that determine whether a code modification is urgent or not. Where a proposer submits a proposed modification to be treated as urgent, the panel shall follow existing processes and use existing urgency criteria²² to make a decision on whether to treat the modification proposal as urgent or not.
- 3.14 In line with our proposed changes, the proposer will be required to submit an assessment of their proposed modification against the proposed prioritisation criteria, as defined in Annex B, which will form part of future guidance on code modification prioritisation. If the panel decide to not treat a modification as urgent, they will then use the proposer's assessment, as well as their own assessment, of the proposal against the proposed prioritisation criteria to determine whether the modification is of 'standard' or 'high' priority.
- 3.15 We think it would be beneficial to ensure that all codes contain a requirement for a code modification register, that also includes whether a modification is urgent. This requirement is already required in some codes²³, therefore the change will ensure consistency across the codes.²⁴

²² We have existing guidance published on the factors we will consider in reaching a decision on urgency in the context of code modifications: [Ofgem Guidance on Code Modification Urgency Criteria | Ofgem](#). Changes to the existing urgency process and guidance will be considered as part of our ongoing development of an updated code modification process, with future proposals subject to consultation process.

²³ The requirement for a code modification register, that also includes whether a modification is urgent, is included in the BSC, CUSC, DCUSA, Grid Code, and SEC.

²⁴ The introduction of a requirement in the codes for the code administrator to create and maintain a modification or change register would only need to be added where this requirement doesn't already exist. Where this already does exist in the code, the code would only be required to be amended to include a requirement to include details of the panel's determination of whether code modification proposal is urgent or not.

Our Proposed Changes

- 3.16 We propose to introduce standardised prioritisation criteria of importance, complexity, and time-sensitivity across all the codes, in addition to a new criterion of 'alignment with the SDS'.²⁵ We expect these criteria to have equal weighting in the assessment of a proposed modification's prioritisation category. These criteria are further explained in paragraph 3.22. We expect that the additional criterion of 'alignment with the SDS' will help to ensure that code modifications facilitate strategic change as set out in the SDS.
- 3.17 'Time-sensitivity' is proposed to be used as a prioritisation criterion instead of 'urgency' to avoid creating confusion with the existing processes that determine whether a modification should be treated as urgent or not.
- 3.18 We propose that the panel will assess a code modification against these criteria to allow them to determine whether it is of 'standard' or 'high' priority, as defined in Annex B, which will form part of future guidance on code modification prioritisation.
- 3.19 To implement this proposal, we propose to use our transitional powers under Schedule 12 of the Act to amend all codes.²⁶ This will require changes in the codes' legal texts, as proposed in Annex A. We are proposing that a licence change is not required at this point.

The Harmonised Prioritisation Process

- 3.20 We propose that as part of raising a modification proposal, a proposer would be required to provide an assessment of their modification against the prioritisation criteria.
- 3.21 In line with our August Implementation Decision, we propose that the code panel would then be responsible for determining the prioritisation category of the modification proposal. To do this, we expect the code panels to assess the proposed modification giving due regard to the prioritisation criteria outlined in paragraph 3.22, to determine whether a modification is of 'standard' or 'high'

²⁵ In this context, 'SDS' means both (i) any preliminary Strategic Direction Statement prepared and published prior to a designation by the Secretary of State of a particular industry code pursuant to s.182 of the Energy Act 2023; and (ii) any Strategic Direction Statement prepared and published in accordance with s.190 of the Energy Act 2023, following a designation by the Secretary of State of a particular industry code pursuant to s.182 of the Energy Act 2023.

²⁶ All codes refers to every code text and related document that has been or will be designated as a 'qualifying document' within the meaning of paragraph 1(1) of Schedule 12 to the Act.

priority. Prioritisation category is defined in Annex B, which will form part of future guidance on code modification prioritisation.

3.22 Our proposed prioritisation criteria are set out below alongside high-level guidance on their interpretation²⁷:

- Aligns with the SDS: can demonstrate a link to government policies and developments relating to the energy sector as set out in the SDS.
- Complexity: the likely implications for stakeholders, eg scope of any process change, potential system impacts, cross code changes, and the level of industry resource required, such as requirements to hold workgroup meetings.
- Importance: the perceived value, criticality and risk to industry and consumers (eg interaction with or enabling of other financial/regulatory/licence/compliance obligations, changes to costs for stakeholders), taking account of written guidance that the Authority may provide.
- Time-sensitivity: modifications that require speedy consideration within the code governance process. Both complexity and importance should be factors considered in evaluating time-sensitivity as well as the timescales for implementation within the respective codes.

3.23 We propose that the outcome of the prioritisation process should identify which prioritisation category a modification falls into:

- Standard priority – modifications that are expected to follow a standard modification timeline, eg modifications that do not require speedier development than normal. We expect the development of modifications categorised as 'standard' could still be paused, eg if they are dependent on the outcome of another modification.
- High priority – modifications that may require speedier development and resolution, more resource and/or for work to begin quickly. For example, a modification that the Authority has not determined to be urgent under existing urgency processes in the code but still needs to be developed and implemented within a certain timeframe.

²⁷ The prioritisation criteria are also set out in Annex B, which will form part of future guidance on code modification prioritisation.

The prioritisation categories and their accompanying guidance are also set out in Annex B, which will form part of future guidance on code modification prioritisation.

- 3.24 Following the determination of a modification's prioritisation category, the code panel should provide reasons for its determination. We propose that this assessment should be published on a register on the relevant code's website to inform stakeholders of the code panel's determination and their justification for this. The introduction of a requirement in the codes for the code administrator to create and maintain a modification or change register would only need to be added where this requirement doesn't already exist.²⁸ Where this already does exist in the code²⁹, the code would only be required to be amended to include a requirement to include details of the panel's determination on the prioritisation category of a code modification proposal.
- 3.25 In addition, where the code contains a requirement for progress reports and modification-specific reports³⁰, we propose to introduce into the code legal texts an additional requirement for these reports to include details of the panel's determination on the prioritisation category of the modification proposals. These obligations, as well as that mentioned in paragraph 3.24, are intended to provide an appropriate check and balance on this process and to help ensure fairness and transparency.
- 3.26 We intend to align this process as far as possible for each code but recognise that it will need to reflect the operation of individual codes.
- 3.27 We also propose to require code panels to reassess the prioritisation category of modification proposals on a quarterly basis³¹ to ensure that the prioritisation category of each modification remains appropriate.

²⁸ The requirement does not already exist in the IGT UNC and UNC.

²⁹ The requirement does exist in the BSC, CUSC, Distribution Code, DCUSA, Grid Code, REC, SEC, and STC.

³⁰ This refers to the 'Monthly Progress Report' and the 'Modification Report' in the BSC; the 'Change Report' in the REC; the 'Progress Report', the 'Authority Led CUSC Modification Report', the 'CUSC Modification Report', and the 'CUSC Modification Fast Track Report' in the CUSC; the 'Change Report' in the DCUSA; the 'Grid Code Modification Report' in the Grid Code; the 'STC Modification Report' and the 'Progress Report' in the STC, the 'Modification Report' in the SEC, the 'report' detailed in paragraph 21(f) of the Constitution and Rules of the Distribution Code, the 'report' detailed in paragraph 21(n)(2) of the Constitution and Rules of the Distribution Code, and the 'report' detailed in paragraph 4.1(xi) of the Standards Procedures 1 section of the Constitution and Rules of the Distribution Code, the 'Modification Report' in the UNC, the 'Draft Modification Report' and 'Final Modification Report' in the IGT UNC.

³¹ The review frequency is proposed to be quarterly, to align with existing prioritisation review processes carried out in relation to the CUSC.

3.28 We are seeking views on our proposal and the proposed drafting of changes to all code legal text included in Annex A. We are also seeking views on the implementation of our proposal.

Next Steps

3.29 If, following this consultation, we decide to proceed with these policy proposals, our next step would be to run a further consultation process in accordance with the provisions of Schedule 12 to the Act.

Enduring arrangements

3.30 Further modifications may be necessary in future to reflect the appointment of code managers and creation of Stakeholder Advisory Forums. This will be considered as part of our ongoing development of an updated code modification process, with future proposals subject to consultation process.

Role of stakeholders

Background

3.31 In our January Implementation Consultation,³² ([January Implementation Consultation](#)) we highlighted that code managers will need input and support from code parties to produce and implement a plan to deliver change in line with the priorities in the SDS³³.

3.32 In our August Implementation Decision, we confirmed our intention to proceed with our proposal to introduce a new standard licence condition for all gas and electricity licence types. We outlined the primary purpose of the condition, to reflect the important role of stakeholders in the delivery of strategic change, by requiring licensees to cooperate with the code manager in the development and delivery of code modifications related to the SDS, where reasonably requested.

3.33 We also stated our expectation that the codes could include further detail on how and when a code manager can reasonably request co-operation from a licensed or non-licensed code party.

³² [Energy code reform: implementation consultation | Ofgem](#)

³³ In this context, 'SDS' means any Strategic Direction Statement prepared and published in accordance with s.190 of the Energy Act 2023, following a designation by the Secretary of State of a particular industry code pursuant to s.182 of the Energy Act 2023.

Standard licence condition

- 3.34 In this consultation we set out our policy proposals to modify all gas and electricity licences³⁴ by inserting a new standard licence condition utilising our powers under the Act.³⁵ We are seeking feedback on these proposals in order to inform a future consultation in accordance with Schedule 12 of the Act.
- 3.35 Introducing this condition aims to help establish the role of the code manager by allowing them to reasonably request information from a licensee to plan, develop or deliver SDS-related modifications. It would also mean that a licensee would be required to respond to this request, unless it is unreasonable.
- 3.36 A licensee may be required by its licence to comply with or be a party to more than one industry code. To avoid multiple licence modifications we propose to add this new licence condition to each gas and electricity licence when the first code manager is appointed. However, this condition would only be in effect for those codes designated for the purposes of appointing a code manager. Annex C includes draft legal text for this proposed standard condition.

Reasonableness test

- 3.37 Feedback from the Modification Process Workgroup³⁶ (MPW) included that consideration should be given to how a code manager would demonstrate that a request for cooperation is reasonable. We agree with this view.
- 3.38 To help ensure that any request for cooperation issued by a code manager is reasonable we are proposing to include obligations in all codes. These obligations would require a code manager to demonstrate that before issuing a request they have assessed it against a set of criteria consistent across all codes. The outcome of this assessment could be included in a request for cooperation to provide reassurance to code parties including minimising the need for multiple requests.
- 3.39 We have considered five criteria that could form the basis of this assessment:
- Nature of cooperation: has the code manager assessed the type of cooperation they need and if there is an alternative that would be better, for

³⁴ Gas Transporter, Gas Interconnector, Gas Shipper, Gas Supply, Electricity Transmission, Electricity Distribution, Electricity Generation, Electricity Supply, Smart Meter Communication, Electricity Interconnector, Electricity System Operator, and Gas System Planner.

³⁵ [Paragraph 4 of Schedule 12 of the Act 2023](#)

³⁶ [Subsidiary document: Modification Process Workgroup report](#)

example, use of information requests, workgroup attendance, bilateral discussions.

- Timing: has the code manager considered if cooperation is being asked for at the right stage in the process, for example, could asking for cooperation at an early stage mitigate the need for later engagement.
- Impact on code parties: consideration of the resource code parties would use to provide this and that only relevant code parties are included in the request.
- Volume: consideration of the number of requests being made, identifies similarities and ensures that duplicative requests are not issued.
- Other impacts: has the code manager considered cross code or system interactions.

3.40 We agree with feedback from the MPW that when any request is issued, where possible, it would be helpful for code parties to understand how their cooperation was used. This could be achieved through, for example, reports submitted to the Authority on whether or not a modification should be implemented including detail on how code parties have cooperated with the code manager in developing a modification.

3.41 We have considered placing restrictions on code managers to prevent them from requesting cooperation that could reveal commercially sensitive information. We do not propose to include this exclusion as the code manager may not know before requesting cooperation that it could require a code party to reveal commercially sensitive information. Instead, we propose that code parties could work with the code manager to provide information but remove commercially sensitive content.

4. Your response, data and confidentiality

Consultation stages

- 4.1 This consultation will be open until 28 March 2025. Responses will be reviewed and the consultation decision will be published later this year.

How to respond

- 4.2 We want to hear from anyone interested in this consultation. Please send your response to industrycodes@ofgem.gov.uk.
- 4.3 We've asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can. A response template has been provided as a subsidiary document to this consultation on the Ofgem website.
- 4.4 We will publish non-confidential responses on our website at www.ofgem.gov.uk/consultations.

Your response, your data and confidentiality

- 4.5 You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.
- 4.6 If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you *do* wish to be kept confidential and those that you *do not* wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.
- 4.7 If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the UK's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 4.

- 4.8 If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

General feedback

- 4.9 We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:
1. Do you have any comments about the overall process of this consultation?
 2. Do you have any comments about its tone and content?
 3. Was it easy to read and understand? Or could it have been better written?
 4. Were its conclusions balanced?
 5. Did it make reasoned recommendations for improvement?
 6. Any further comments?

Please send any general feedback comments to stakeholders@ofgem.gov.uk

How to track the progress of the consultation

4.10 You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website. Choose the notify me button and enter your email address into the pop-up window and submit. ofgem.gov.uk/consultations



Would you like to be kept up to date with *Consultation name will appear here?* subscribe to notifications:

Email*



4.11 Once subscribed to the notifications for a particular consultation, you will receive an email to notify you when it has changed status. Our consultation stages are:

Upcoming > **Open** > **Closed** (awaiting decision) > **Closed** (with decision)

Next steps

4.12 This consultation closes on 28 March 2025, following this consultation:

- We intend to make a decision on the content and structure of the preliminary SDS and, subject to the outcome of that decision, publish the preliminary SDS.
- We also expect to make a decision on (i) our policy proposals regarding code governance reform, as set out in section 3 of this document. If we decide to proceed with those proposals, we expect to follow up with a further consultation, pursuant to Scheduled 12 of the Energy Act 2023 in due course; and (ii) whether to proceed with our proposals that the definitions of Prioritisation Category and Prioritisation Criteria be contained in separate guidance, as set out in Annex B to this document.

Appendices

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Appendix 1 – Consultation questions

Section 2

Q1. Is the structuring of SDS content into three time horizons (Act now, Think & plan, Listen & wait) helpful?

Q2. Do you agree with the way modifications have been categorised into these three time horizons (Act now, Think & plan, Listen & wait)? If not, please specify what changes you suggest and why.

Q3. On the basis that the SDS should contain a strategic assessment of government policies and developments relating to the energy sector, that will or may require the making of code modifications, do you think there is anything missing from the SDS that you would expect to require code modifications in the next 1-5 years? If so, please specify.

Q4. Did you find the SDS easy to understand and do you think that the level of detail included is sufficient to allow you to begin raising and implementing code changes?

Q5. If you are a code administrator or code panel what action do you intend to take, if any, to implement the SDS following publication?

Q6. Do you have any suggestions about the best way to implement the SDS in the context of budget setting, delivery planning and the introduction of a harmonised prioritisation process? Please note we will be doing stakeholder engagement in early 2025 to discuss this further.

Q7. Do you have any other feedback?

Section 3

Prioritisation of code modifications

Q8. Do you agree with our proposed prioritisation process, including the requirements that:

- (a) a proposer of a modification proposal should be required to include an assessment of their proposal against the prioritisation criteria
- (b) that the code panel should then be responsible for determining the prioritisation category of the modification proposal

(c) that code panels should reassess the prioritisation category of modification proposals on a quarterly basis

(d) that all codes contain a requirement for a code modification register, that also includes whether a modification is urgent and the prioritisation category

If not, please specify what changes you suggest and why.

Q9. Do you agree with our proposed prioritisation criteria and prioritisation categories? If not, please specify what changes you suggest and why.

Q10. Do you agree with our proposed legal drafting of code modification prioritisation procedure included in Annex A? If not, please specify what changes you suggest and why.

Q11. Do you agree with our proposed definitions to form future guidance on Code Modification Prioritisation included in Annex B? If not, please specify what changes you suggest and why.

Q12. Do you have views on whether this proposed prioritisation process should also apply to all live modifications that exist at the date that the proposed code changes take effect, as well as newly proposed modifications from this date onwards?

Role of stakeholders

Q13. Do you agree with our proposed drafting of a new principles-based standard condition, for cooperation with code modifications related to SDS, for all gas and electricity licences, included in Annex C?

Q14. Do you agree with the proposed criteria the code manager should consider prior to issuing a request for cooperation?

Appendix 2 – Subsidiary documents

The following subsidiary documents have been published on Ofgem’s website alongside this consultation:

- Subsidiary Document 1 - Preliminary Strategic Direction Statement for industry codes
- Subsidiary Document 2 - Preliminary Strategic Direction Statement spreadsheet
- Subsidiary Document 3 – Annex A: Proposed legal drafting of code modification prioritisation procedure
- Subsidiary Document 4 - Annex B: Definitions to form future guidance on Code Modification Prioritisation
- Subsidiary Document 5 – Annex C: Proposed legal drafting of new cooperation standard condition

Appendix 3 – Glossary

Acronyms	Definition
BSC	Balancing and Settlement Code
CACoP	Code Administration Code of Practice
CSDBs	Central System Delivery Bodies
CMA	Competition and Markets Authority
CUSC	Connection and Use of System Code
DCUSA	Distribution Connection and Use of System Agreement
DESNZ	Department for Energy Security and Net Zero
FSO	Future System Operator. Named in the Energy Act 2023 as Independent System Operator and Planner (ISOP). In 2024 it was announced that the FSO would be named National Energy System Operator (NESO)
GEMA	Gas and Electricity Markets Authority
GHG	Greenhouse Gases
IGT UNC	Independent Gas Transporters Uniform Network Code
MHHS	Market-wide Half-hourly Settlement
MPW	Modification Process Workgroup
NESO	National Energy System Operator (the working name was previously Future System Operator (FSO))
REC	Retail Energy Code
REMA	Review of Electricity Markets Arrangements
SAF	Stakeholder Advisory Forum, a proposed body (or bodies) consisting of a range of stakeholders which will provide expert assessment of modifications to the code manager
SCR	Significant Code Review, a way for Ofgem to influence the existing end-to-end code change process to modify industry codes

SDS	Strategic Direction Statement means a statement prepared and published by GEMA that sets out a strategic direction for energy industry codes and contains a strategic assessment of government policies and developments relating to the energy sector, that the GEMA considers will or may require the making of modifications to energy industry codes. In this document, references to 'SDS' shall be taken to mean either or both (as the context requires and having regard to the applicable SDS in force at the relevant point in time), (i) any preliminary Strategic Direction Statement prepared and published prior to a designation by the Secretary of State of a particular industry code pursuant to s.182 of the Energy Act 2023; and (ii) any Strategic Direction Statement prepared and published in accordance with s.190 of the Energy Act 2023, following a designation by the Secretary of State of a particular industry code pursuant to s.182 of the Energy Act 2023.
SPS	Strategy and Policy Statement, a document designated by the Secretary of State under the Energy Act 2013 (after parliamentary approval), which sets out the strategic priorities and policy outcomes for the government's energy policy
SQSS	Security and Quality of Supply Standard
STC	System Operator- Transmission Owner Code
UNC	Uniform Network Code

Appendix 4 – Privacy notice on consultations

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, “Ofgem”). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. ie a consultation.

4. With whom we will be sharing your personal data

We may share data with the Department for Energy Security and Net Zero and the National Energy System Operator (NESO)

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for up to 12 months after the project is closed, including subsequent projects or legal proceedings regarding a decision related to this consultation.

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data

- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system.

10. More information For more information on how Ofgem processes your data, click on the link to our "[ofgem privacy promise](#)".