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## Consultation on the draft second preliminary Strategic Direction Statement – response template

This document provides a template for responses to our consultation on the second preliminary Strategic Direction Statement, published on 2 April 2026.

If you are interested in responding to this consultation, please complete this word document and send it to [industrycodes@ofgem.gov.uk](mailto:industrycodes@ofgem.gov.uk) by the end of the day on Thursday 28 May 2026.

### Guidance

We typically publish consultation responses when we publish our decision. To ensure that we can correctly attribute your response, please ensure that you enter all relevant details in the “your company’s details” section (template part 1).

If you would like us to treat your response as being confidential, either in full or in part, please indicate this to us below. Further information on how we will treat your response, data and confidentiality can be found at the end of this document.

Please use template part 2 to provide your responses. For all questions, the template below provides space for you to enter free text comments. Some questions also ask whether you agree with our proposals. Please indicate the extent to which you agree or disagree with relevant proposals by deleting all but one of the bullets provided.

There is also a section for “general feedback” (template part 3). Please use this section to provide any views on the overall consultation process.

### Template part 1: Your organisation’s details:

<b>Contact name</b>	<b>Jon Dixon</b>
<b>Role title</b>	<b>Director, Strategy and Development</b>
<b>Company name</b>	<b>RECCo</b>
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<b>Date of submission</b>	<b>28 May 2026</b>

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<p><b>Do you want your response treated as confidential?</b></p> <p><b>(If yes, please indicate whether you would like the whole of your response to be confidential, or just particular parts).</b></p>	<p><b>No</b></p>
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## Template part 2: consultation responses

### Consultation section 2 – Approach to the Strategic Direction Statement

**Question 1** – 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.

- Yes

#### Comments

RECCo considers that the draft second preliminary Strategic Direction Statement (SDS-2) captures the main REC-facing strategic workstreams, but could be more explicit in a number of areas, as set out below:

#### Energy theft reduction

RECCo considers that the SDS could more explicitly recognise energy theft reduction and associated data-sharing and analytics as an area that may require future modification to the REC and other industry codes. Energy theft remains a significant consumer and market issue, estimated at around £1.4bn per year, and can create serious health and safety risks for consumers and the wider public. This is particularly relevant to Objective **13.2** (Data Communications Company’s Successor licence; smart metering and retail market operations) and Objectives **14.1** and **14.2** (digitalisation and innovation). It is also relevant to the consumer protection and service quality outcomes under Objective 2.

SDS-2 already refers to the possibility of REC changes to support the use of smart metering equipment for the identification and detection of energy theft. RECCo suggests that this should be broadened to recognise the potential need for proportionate arrangements for the sharing, governance and use of theft-related data across relevant REC parties and

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service providers, including potential reporting and analytics, without presupposing a specific solution.

Recent and forthcoming regulatory and technological developments, including the continuing smart metering rollout, improvements to registration data, wider digitalisation and market-wide half-hourly settlement, may create opportunities to obtain the breadth of data needed to produce more actionable theft-related insights. RECCo would therefore welcome SDS-2 signalling that potential modifications should be pursued (and as an SDS objective appropriately prioritised) to facilitate those arrangements in due course.

### **Consumer Consent Solution**

RECCo welcomes the continued inclusion of Consumer Consent within SDS-2 and supports the objective of establishing consistent, scalable and consumer-focused arrangements for the recording and management of consent. This is particularly relevant to Objectives **14.1** and **14.2** on digitalisation and innovation.

SDS-2 recognises that Consumer Consent will require changes to both the REC and SEC. Given the cross-code nature of this work, RECCo would welcome further clarity from Ofgem on the intended operating model for delivery, including the respective roles Ofgem envisages for the REC, the SEC and the Consumer Consent Solution. In particular, it would be helpful for Ofgem to clarify whether the SDS expectation is that the Consumer Consent Solution should become the single long-term route for capturing and managing consumer consent across relevant industry arrangements, or whether Ofgem envisages a different model for interaction between REC and SEC consent and smart metering data access arrangements.

This clarification would be particularly helpful in the context of Objective **11.2** and the proposed hybrid SDS arrangements. The REC is expected to transition to the formal code manager framework before the SEC, meaning RECCo may need to plan for delivery of relevant SDS commitments through its Delivery Plan while related SEC arrangements remain under existing governance. RECCo would therefore welcome confirmation of whether Ofgem expects RECCo and SECCo to collaborate on complementary delivery planning for Consumer Consent, including how any REC and SEC modifications should be scoped, sequenced and coordinated during the hybrid period. Clear regulatory expectations would benefit both codes, support effective collaboration, and help avoid duplication or misalignment in the interests of consumers, data users and wider market participants.

### **Whole-life planning and orderly transition of legacy arrangements**

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RECCo considers that SDS-2 could recognise the need for whole-life planning for key industry technologies, services and data exchange arrangements, even if initially in the Think and Plan stage. The Radio Teleswitch Service (RTS) provides a useful example of the consumer and market risks that can arise where a technology on which many consumers continue to rely reaches the end of its operational and economic life without a sufficiently clear, coordinated transition plan in place. RECCo considers that this is particularly relevant to Objective **10** on secure and resilient supplies (to the extent the supply of energy is also dependent on the supply of supporting infrastructure, trained staff, etc), Objective **11.2** on effective code governance, Objective **13.3** on MHHS, and Objectives **14.1** and **14.2** on digitalisation and innovation.

This issue is not limited to RTS. Ofgem has previously recognised that retaining the Data Transfer Network as part of the MHHS architecture did not preclude its eventual replacement, and that this could be reassessed towards the end of MHHS implementation. RECCo considers that SDS-2 should therefore signal the potential need for a coordinated cross-code review of the enduring role of the DTN/DTS, including whether an orderly transition to the DIP or other communication networks is required once MHHS migration is sufficiently advanced. Similar considerations may also arise for other legacy arrangements, such as prepayment meter infrastructure and related services, where continued dependency may become inefficient or create consumer risk over time.

The new code manager framework provides an opportunity for industry codes to play a more proactive role in identifying and mitigating these risks before regulatory intervention becomes necessary. Licensed code managers will have enhanced responsibilities for strategic delivery, cross-code coordination and collaboration, and should be well placed to work with Central System Delivery Bodies, service providers and industry parties to identify technologies or services approaching end-of-life, assess consumer and market impacts, and develop proportionate transition plans. RECCo therefore suggests that SDS-2 should include whole-life planning and orderly transition of legacy arrangements as a cross-cutting strategic theme.

### **Cyber resilience and secure digitalisation**

RECCo supports Ofgem's intention to keep SDS-2 focused on genuine strategic priorities and on matters that will, or may, require industry code modifications. However, whilst we note the rationale for removing cyber resilience after it was previously listed in SDS-1, we consider it should remain visible within SDS-2, even if it is addressed as part of the wider digitalisation programme rather than as a standalone deliverable. This is particularly relevant to Objectives **14.1** and **14.2** on digitalisation and innovation.

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The Energy Sector Cyber Security Strategy, published by DESNZ, NCSC, Ofgem and NESO, makes clear that the energy system is becoming more digitalised, decentralised and interconnected, and that cyber security must be built in from the start rather than added as an afterthought. RECCo agrees with that approach. As industry codes increasingly govern or support digital services, data access, consumer consent, smart metering interactions, switching and other central market processes, cyber resilience is likely to become relevant not only to licensed parties, but also to code managers, Central System Delivery Bodies, service providers and users of industry systems.

RECCo recognises that cyber requirements may principally be developed through the Energy Sector Cyber Security Strategy, the proposed reforms to downstream gas and electricity cyber regulation and future licence requirements. However, there may also be areas where code modifications are needed to give practical effect to those requirements, for example through service provider obligations, access conditions for central systems, assurance requirements, data governance arrangements or common standards for users of digital services. RECCo therefore suggests that SDS-2 should retain an explicit reference to cyber resilience within the digitalisation objectives, making clear that relevant code modifications may need to be identified and prioritised where necessary to support secure digitalisation and the implementation of future cyber resilience requirements.

**Question 2** – Do you agree with the classification of each policy area within the three time horizons (Act now, Think & plan, Listen & wait)? If not, please specify what changes you suggest and why.

- Agree

Comments:

RECCo supports the continued use of the three time horizons: “Act now”, “Think and plan” and “Listen and wait”. We consider that this remains a helpful way of distinguishing between matters that are sufficiently developed for near-term delivery, matters that should be planned and resourced for, and matters where industry should maintain awareness pending further policy development.

However, RECCo considers that the “Act now” category should be used with care. An item should not be classified as “Act now” unless there is sufficient policy certainty, consultation and supporting detail to enable code bodies to understand what is expected, identify the likely code changes, make reasonable delivery assumptions and reflect those assumptions in delivery plans and budgets. In our view, “Act now” items should generally be limited to matters that have already been subject to consultation and, where appropriate, impact

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assessment or equivalent policy development at a level of detail greater than can reasonably be provided through the SDS itself.

This is particularly important because SDS-2 will become the baseline for formal delivery planning and budget development for the REC and BSC once those codes are designated. The SDS should therefore distinguish clearly between: (i) matters that code managers are expected to develop and deliver through modifications within the relevant time horizon; (ii) matters where code managers are expected to undertake preparatory scoping, engagement or dependency management; and (iii) matters where Ofgem, government or another body must first make policy decisions before meaningful code delivery can begin.

Reformed National Pricing under Objective 12.1 illustrates this point. RECCo recognises the strategic importance of this programme and agrees that it is likely to have material implications for multiple codes. However, SDS-2 provides limited detail on the specific reforms to be delivered through each code, and itself notes that the scope, design and sequencing of relevant reforms will be informed by further stakeholder responses, cost-benefit analysis and impact assessments, with reforms expected to be fully scoped during 2026–2027 and implementation phased over time. That is not yet sufficient detail for code bodies to make robust delivery assumptions, particularly where delivery may require coordinated changes across the BSC, CUSC, DCUSA, Grid Code, REC and SEC.

RECCo therefore suggests that matters such as Reformed National Pricing should either be classified as “Think and plan” until the relevant policy decisions and implementation route are clearer, or that SDS-2 should expressly state that the “Act now” expectation is limited to scoping, readiness and dependency management rather than modification delivery. We also note that the SDS is not the only tool available to Ofgem. The Code Manager Licence conditions and standardised modification arrangements preserve the Significant Code Review process and direct modification routes. Where a policy area is strategically important but currently undefined, Ofgem-led, cross-code in nature and likely to require implementation on a short timescale once policy decisions are made, it may be more appropriate for Ofgem to use the Significant Code Review process rather than relying primarily on the SDS to create delivery expectations.

RECCo considers that the criteria for including matters in the SDS, particularly in the “Act now” category, should therefore include not only whether the matter is of genuine strategic importance and may require code modification, but also whether it is sufficiently defined to be actionable through code manager delivery planning, and whether it could more appropriately be delivered through a Significant Code Review or other Ofgem-led route.

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Subject to that overarching point, RECCo broadly agrees with the REC-facing classifications in SDS-2, but would welcome further clarity on the following areas.

In relation to Objective 1, including work on affordability, debt assignment and credit transfer, RECCo considers that the April 2029 timing should be achievable if Ofgem provides clear direction following the relevant call for input and policy development. However, if the preferred enduring solution requires changes to the Central Switching Service or other central systems, technical development, change progression and DCC implementation activity could require a substantial lead time. RECCo therefore suggests that SDS-2 should make clear when Ofgem expects code bodies and central system delivery bodies to move from monitoring and preparatory work into active modification development.

In relation to Objective **2.1**, RECCo supports the “Think and plan” classification for consumer protection and vulnerability-related work, including potential future changes relating to Priority Services Register data sharing. However, the SDS currently includes broad language encouraging relevant code administrators, code managers and panels to proactively engage with existing and future market participants to identify where code changes may improve consumer outcomes. RECCo supports proactive engagement, but the SDS should clarify whether this is intended to require specific preparatory work, modification development, monitoring activity, or simply continued horizon scanning. That clarification will help RECCo set proportionate assumptions in its Delivery Plan and avoid over- or under-investing in work that is not yet sufficiently defined.

**Question 3** – Do 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, where appropriate?

- Yes (subject to comments below)

Comments:

RECCo recognises that the SDS cannot always provide the level of detail needed to define the precise code modifications that may ultimately be required. In some cases, particularly where policy development is ongoing or where implementation depends on cross-code or central system interactions, the appropriate next step may be to use the modification process itself, or an issue group or equivalent early development forum, to test scope, dependencies, impacts and delivery options.

However, where the SDS identifies an area as strategically important but does not yet provide sufficient detail to support modification drafting or robust delivery planning, RECCo would welcome a clear commitment from Ofgem to support early development activity.

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This could include Ofgem attendance at relevant workgroups or issue groups, timely provision of policy views, and early engagement on code manager Delivery Plan assumptions, subject always to the usual caveat that Ofgem must not fetter the Authority's discretion in relation to any future code modification decision.

We have previously expressed the view, in consultations addressing Ofgem's role and performance, that effective industry code governance depends on timely and constructive Ofgem engagement in the modification process, while recognising that Ofgem must retain its distinct role as regulator and decision-maker. The effectiveness of the new code manager framework will therefore depend not only on the clarity of the SDS, but also on active and constructive engagement between Ofgem, code managers, Central System Delivery Bodies, code parties and other relevant stakeholders during the early stages of development.

RECCo considers that this form of early engagement will help ensure that SDS-related modifications are well scoped, evidence-based and deliverable, and that code manager Delivery Plans and accompanying budgets are based on realistic assumptions. It will also increase the likelihood that code reform fulfils its intended objectives of enabling strategic change to be delivered more efficiently, transparently and in the interests of consumers.

**Question 4** – Do you support our proposed approach to convert the SDS from a preliminary document to a hybrid document, following designation of the BSC and the REC?

- Yes

Comments:

While we have some concerns about how the hybrid approach will operate in practice, as noted in our response to Question 1, we recognise that it is a pragmatic response to the phased implementation of Code Reform and the different transition pathways for each code. We are also confident that code bodies will continue to work collaboratively to support delivery of the SDS objectives, whether or not a particular code is yet subject to a formal direction.

We have been encouraged by the open dialogue and cooperation demonstrated through the recent cross-code workshops attended by the current code bodies. We would expect that engagement and mutual support to continue under the reconstituted cross-code steering group referenced in the standardised modification process, and through the wider code manager framework as the reformed arrangements are implemented.

**Question 5** - Do you have any other feedback?

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### Comments:

We would welcome continued engagement with Ofgem and stakeholders as it develops its Delivery Plan and considers how SDS-2 commitments should be translated into practical delivery activity. This engagement would help ensure that future REC modifications are identified, scoped and prioritised on a realistic basis, and that SDS delivery planning reflects the level of certainty, dependency and stakeholder input needed to support effective implementation during the hybrid period.

### Template part 3: General feedback

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 the following questions.

Question	Response
Do you have any comments about the overall process of this consultation?	
Do you have any comments about its tone and content?	
Was it easy to read and understand? Or could it have been better written?	
Were its conclusions balanced?	
Did it make reasoned recommendations for improvement?	
Any further comments?	

### Your response, data and confidentiality

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.

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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.

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 3.

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.