

Energy Systems Catapult Response to Ofgem/BEIS' Reforming the Energy Industry Codes Consultation, September 2019

Contact: susanna.elks@es.catapult.org.uk

Introduction

[Energy Systems Catapult \(ESC\)](#) was set up to accelerate the transformation of the UK's energy system and ensure UK businesses and consumers capture the opportunities of clean growth. The Catapult is an independent, not-for-profit centre of excellence that bridges the gap between industry, government, academia and research. We take a whole system view of the energy sector, helping us to identify and address innovation priorities and market barriers, in order to decarbonise the energy system at the lowest cost.

ESC is co-leader, with the IET, of the influential Future Power System Architecture (FPSA) programme which has been cited in this consultation as a key evidence base of the need for industry governance reform. Over the last 3 years, through this programme, we have conducted detailed research of the functionalities the UK energy sector will need to transition to a high-quality net-zero grid which delivers maximum benefit to consumers. Our work consistently highlighted that industry governance reform is essential if these functionalities are to be delivered and as a result, we have considered solutions to the current failures in code governance.

We welcome these proposals as a strong foundation on which effective new code governance procedures can be built.

If widened and effectively developed, the proposed reforms have the potential to provide many of the required functionalities highlighted by FPSA. As such we have highlighted throughout this response where the proposals need to go further as well as the factors which must be carefully considered as the proposals are developed. It is key the potential of these reforms is delivered, and that a mechanism is established to deliver the remaining functionalities highlighted by FPSA. Without this, key policy goals such as decarbonisation, the Industrial Strategy and minimising energy bills will be jeopardised.

We would be happy to discuss these issues in more detail if helpful. Please contact Susanna Elks at: susanna.elks@es.catapult.org.uk

Key Points

- There is a strong case to accelerate the timeline for implementing code reform, given the pace of change required to deliver deep decarbonisation.
- Given the importance of multi-vector dimensions to decarbonisation the remit of the proposed body (either the IRMB or the separate Strategic Function and Code Manager/s) should be widened to include the hydrogen and heat industries and potentially carbon, capture, utilisation and storage (CCUS), in addition to electricity and gas.

- Any new arrangements for code governance must deliver the technical coordination of new technologies and systems necessary to ensure the safe and economical operation of the grid and a sufficiently robust system security methodology;
- Any new code governance body/s must be obligated to consider the operation of the whole system, including non-traditional actors and behind the meter technologies, systems and operations. Without considering these new elements of the system, system security could be jeopardised, and unnecessary costs added to the system.
- Some of these actors will not be licensed and therefore not under the jurisdiction of the new codes. We suggest the IRMB or the Strategic Function and Code Managers should work with standards agencies to manage the effect of these new stakeholders on the system. If this proves insufficient, then the remit of codes may need to be extended.
- The lack of power over non-licensees, who may affect system operation or security must be carefully considered to ensure problems such as those seen in the Accelerated Loss of Mains Change programme do not occur due to either lack of clarity of remit, or lack of direct powers. Active and appropriate stakeholder engagement will be a critical to the success of reformed code governance arrangements.
- New code management and governance arrangements must be sufficiently and independently funded, independent of government funding cycles. The function of Code Management should be fully resourced and located in a single identified institution for each code. This will ensure code modifications are co-ordinated across different disciplines and the traditional industry structure is not entrenched in the new arrangements. Code management should not be delivered via tender as this would entrench traditional siloed operation in the new arrangements, could cause conflicts of interest and would reduce knowledge retention at the end of the tender period.
- Codes will also need to be reformed to make them easy to understand, proportional to the risk of a stakeholder's operations, outcome oriented and accessible digitally.

Response to Questions

Q1. Do you agree with our four desired outcomes for the code governance landscape by the mid-2020s? Yes/No/Don't know. Please explain.

We welcome the four proposed outcomes for this review. However, there are further potential benefits that could arise from well-coordinated reform which should be explicitly aimed for in the stated outcomes.

- **Code reform must enable new innovative technologies and business models**, with the potential to benefit consumers, to participate in the industry; a concept which is not explicit in the current outcomes.
- We support the second outcome's assertion of ensuring 'codes develop in a way that benefits existing and future energy consumers'. **For this to be achieved the sector must have effective multi-vector technical co-ordination.** The energy system requires certain

services to operate. Some new technologies could provide these services and others will mean more must be provided for the system to operate. Without a detailed understanding of how these new technologies will impact the grid and interact with each other, the codes will not be written to ensure the grid can harness their potential and prepare for their operation. This would lead to worse outcomes for consumers and could lead to system security problems such as blackouts.

- This technical coordination must be multi-vector and include all the elements which are connected to the system, from consumer actions behind the meter to the dependence of the UK transport system on electricity provision. This key prerequisite to achieving the desired outcome should be explicitly stated.

The work conducted by FPSA highlighted the functionality which will be required at different future time horizons¹. Of the 35 highlighted functions, the majority require code governance reform as a prerequisite to efficient and effective operation. This suggests the timeframe for code reform should be accelerated so that substantial reform is achieved in the early 2020s, to safeguard system security without inhibiting innovation during this important period of change.

Q2. Do you agree with the problems we have identified (in chapter 1 – Background – and in later chapters), and that they present a persuasive case for reform of the current framework for energy codes? Yes/No/Don't know. Please explain.

We agree that the highlighted areas are key failures of the current governance scheme and the composition of the codes. In addition to the stated problems we see the following as issues that will require addressing:

- There is no single party responsible for technical system coordination meaning the implications of different codes changes, or of inaction, are not properly understood.
- There is no party responsible for considering the interaction of the energy system with other UK systems (known as 'systems of systems thinking') and thereby ensuring the optimum solution is provided for all parties.
- There is poor representation of new market entrants, SMEs and innovators. This a key issue because it results in incumbent players having undue influence over code content despite them having mixed incentives for perusing regulatory changes and no process which holds them accountable for their decisions.
- There is no mechanism for systematically and collectively looking forward, undertaking horizon scanning for example.
- Knowledge retention is ad-hoc, making the process inefficient and fallible.

Additionally, we find the highlighted problems go beyond just the energy codes and to solve these problems will need consideration of additional areas in energy regulation such as the suite of engineering recommendations and standards as well as informally established industry practices.

¹FPSA2 synthesis report https://es.catapult.org.uk/wp-content/uploads/2018/10/FPSA2-Synthesis-Report-WEB_Locked-ESC-version-1.pdf

Q3. Do you have additional evidence on the performance of the current framework?

There is a large body of evidence which highlights the poor current operation of the code governance system. The work conducted under FPSA highlighted that regardless of current performance the current framework will not be able to deliver the transformative, coordinated, agile change which will be needed in the future as the evolution of the system accelerates. This must not be forgotten when evidence is being accumulated to support reform².

Q4. Do you agree with our proposed scope reform? Yes/No/Don't know. Please explain. If not, which additional codes or systems do you think should be included/excluded?

We see the proposals in this consultation document as a significant first step towards tackling the systemic problems in energy sector governance and regulation. However, the scope must be widened as there are a number of elements that are not currently within the scope, but are key to achieving comprehensive and optimal reform of the energy sector:

- The SQSS and other engineering recommendations must be under the jurisdiction of the new governance arrangements. As currently highlighted by Ofgem and National Grid's investigations into the events of the 09/08/2019, these documents are key to the safe, optimal operation of the energy grid. It is imperative they evolve in-line with developments in the system. Furthermore, as an explicitly mentioned section of different codes, they are an inherent part of the current codes and simply sit under different governance arrangements due to historical reasons. To deliver the first three aims of these reforms, these documents must be included within the scope. We would be happy to discuss this topic with you further.
- Considering the new governance structure may not be established until the mid-2020s (though we think it is imperative this timeline is shortened) new arrangements should be established with a remit to extending to heat and hydrogen networks and potentially the future carbon capture utilisation and storage (CCUS) industry. Careful consideration must also be given to how the proposed institution/s will interact with behind the meter technologies and systems.

We support the assertion in Annex D that there should be 'flexible arrangements that ensure it is possible to **keep under review which codes and systems are in scope**, and for codes that are in scope, to keep under review how the scope of the reforms should apply.' It is important there is the potential to widen the jurisdiction of codes (and associated code governance institutions) in the future if needed. The process must be fit for purpose and clearly included within the initial primary legislation.

Q5. Are there any codes or systems that we should only apply a limited set of reforms to? Yes/No/Don't know. Please explain.

No, a key benefit of the reform is process standardisation, which will ease stakeholder engagement, facilitate the breaking down of traditional silos and establish a single centre of expertise.

² FPSA2 synthesis report https://es.catapult.org.uk/wp-content/uploads/2018/10/FPSA2-Synthesis-Report-WEB_Locked-ESC-version-1.pdf

Q6. Do you agree that the four areas for reform are required? Please provide reasons for your position and evidence where possible.

We broadly agree with the four highlighted areas of reform. These are all key areas that require transformative change to enable a transition to net zero and deliver the maximum benefits to consumers. In this light, **the areas of reform should also include the requirement that the codes are designed to enable innovative technology and business models.** This is a key weakness of the current codes and their governance and it must be ensured that any new institution/s managing the codes has this principle as a main driver of its actions.

Also, the current wording does not explicitly **mention the importance of assuring the technical operational integrity of the system i.e. considering new technologies, their interactions and their implications for the system.** The reforms are an opportunity to resolve this failure of the current arrangements and ensure the grid can safely integrate the growing number of new technologies into the system at lowest cost.

Q7. Do you agree with the two broad models outlined? Please provide reasons for your position and evidence where possible. – further detail can be found on each model in the chapters that follow.

Yes, we welcome the proposals particularly the creation of truly independent, fully-resourced institutions making system level decisions in the interest of consumers. We also welcome proposals to prepare codes for future developments ahead of need stability for industry through comprehensive horizon scanning and the creation of a long-term strategic roadmap for necessary code changes.

For the models to successfully deliver the desired outcomes, the following must be given careful consideration:

- the accountability of code governance institutions for the delivery of long-term goals
- the ability of reformed governance arrangements to handle legal challenges against its decisions. This will require it having sufficient 'due process' to support each of its decisions, but sufficient agility to enact change in a timely way when required. We suggest processes that are proportional to the impact of the code modification, allow iterative change processes for appropriate regulations and have some allowance for code changes which need to be fast tracked.
- the remit of code governance arrangements, their ability to drive change in the industry and the process for widening their remit in the future to match need (these points were discussed in detail above in question 4).
- the assurance of the safe technical operation of the system. This will require a mechanism of assessing the technical operation of the system and the implications of major code changes, enabling new technologies and the possible impact of new non-licensed operations. For example, electric vehicle charge points could cause a blackout if a large number start charging or stop charging at the same time. When considering the introduction of electric vehicle charge points, codes will need to address how best to prevent this from occurring, or ensure the system security methodologies include this as a potential event which the system must be able to manage.
- the date of the new governance arrangements being established. As outlined in question 1, a large opportunity will be lost, and a number of new problems developed if the new

arrangements are not established well before the mid-2020s; the new code institutions should be established as soon as possible with a clear mechanism for expanding or altering their remit, if required.

**Q8. Which model do you believe will best deliver on our desired outcomes? Please explain.
NB: – further detail can be found on each model in the chapters that follow.**

We believe both models could deliver the desired outcomes highlighted in the consultation. However, there are key considerations or pitfalls that should be moderated with each model:

- Model 1 possibly has greater potential to transition into a body providing strategic oversight for the entire industry with a remit wider than code governance; as the Strategic Function could take the role. This is a key function currently missing in the industry as detailed in the work conducted by FPSA³. If government sees the potential of this body to evolve into the required strategic oversight, it should allow for this through the necessary primary legislation and consider that either model could allow this outcome. We anticipate that if not carefully established, Model 1 could lead to the Strategic Function being caught in 'limbo' with a large remit but without the powers to affect change. This must be carefully considered in both the creation of the body's remit and the powers it is given.
- Model 2 has the benefit of creating a single centre of industry expertise and aligning the incentives of both the Strategic Function and the code manager(s) to encourage collaborative working and remove potential tensions. The main drawback is that the Strategic Function could become purely focused on codes and not consider the wider system as would be a key requirement for it to operate effectively.

Overall, we prefer Model 2 as it will encourage a cooperative working environment and ensure there is a single centre of expertise for stakeholder engagement, whilst also having the potential to evolve into a body with a wider remit for strategic oversight if desired.

Q9. Do you agree with the changes to the role of code signatories we are proposing?

Yes, we support the re-balancing of power away from incumbent code-signatories whilst still ensuring industry expertise is included in decisions when necessary. We also support the proposal of the new Strategic Function (in Model 1 or 2) funding under-represented stakeholders or finding other approaches when this problem arises as there must be a mechanism to ensure SMEs viewpoints are represented meaningfully noting their very limited resources.

It is important that industry experience is sought where necessary or desirable and that due diligence is performed on proposals to ensure they will have a net system benefit. However, these arrangements should be set up envisaging that many future stakeholders may not wish to partake in industry governance as is the case in comparable arrangements in other technical domains such as governance of the internet. Therefore, the arrangements need to carefully consider the balance between gathering industry expertise and experiences without high-resource stakeholder engagement always being a necessity for each change to the codes.

³ FPSA2 synthesis report https://es.catapult.org.uk/wp-content/uploads/2018/10/FPSA2-Synthesis-Report-WEB_Locked-ESC-version-1.pdf

In addition, industry thinking must move away from 'code signatories' to sector stakeholders due to the growing number of sector stakeholders who will now be intrinsic to the operation of the system (e.g. the automotive industry, data managers, new technologies).

Q10. Do you agree there is a missing Strategic Function for codes development in the energy sector and introducing a Strategic Function with the responsibilities outlined in chapter 3 is the best way to address the lack of strategic direction? Yes/No/Don't know. Please explain. Who is best placed to fulfil the Strategic Function and why?

Yes, we agree that a Strategic Function overseeing the development of the energy codes is currently missing.

It is key that a Strategic Function is created to ensure that codes evolve in line with government policy, that industry-wide change is effectively coordinated and that codes ensure the safe technical operation of the wider system. The function also needs the power to act to resolve potential problems. Furthermore, the energy sector currently lacks coordination between the wider institutions that govern the sector. All changes to industry markets, codes, standards and licences have implications for the operation of the others. Without better coordination, or a form of strategic oversight, the key policy obligations of reaching Net Zero and managing UK energy costs will be jeopardised.

If these reforms cannot deliver this coordination/ strategic oversight, a review for this purpose should be established.

Q11. Do you agree with the objectives and responsibilities envisaged for the Strategic Function, and are there any additional objectives or responsibilities the Strategic Function should have?

Some of the responsibilities in this list could be the responsibility of the code managers. Careful consideration should be given to the division of work between the Strategic Function and the code managers to ensure the smooth implementation of necessary code changes.

The consultation does not mention **the responsibility of the Strategic Function or the Code Manager to consider operational integrity, system security or safety**. Considering the decisions the **Strategic Function** will be making surrounding the operation of the system, this should be part of their remit. However, it should be added in a way which does not make the **Strategic Function** overly conservative.

Considering the need for the **Strategic Function** to manage system security, it must be obligated to consider the **future operation of the whole system**, considering multiple vectors and future technologies and business models. It therefore must consider the operations of parties who are not licensees and are out of their jurisdiction. The ability of the **Strategic Function** to prevent problems arising from the actions of current non-licensees must be carefully considered. Furthermore, careful consideration must be paid to ensure action is taken when something is on the boundary of multiple bodies' remits so that problems such as those encountered by the Accelerated Loss of Mains Change Programme can be avoided.

In addition, including the following objectives/responsibilities would enhance and direct the impact of the proposed **Strategic Function**:

- Ensure a timely transition to codes that enable and facilitate a new low carbon system which provides benefits to consumers.
- Create codes which, if complied with, ensure the effective technical operation of the system within an economical degree of safety.
- Regularly reassess the remit of the codes to ensure it is, and will continue to be, appropriate considering many future pathways and the related changes to the grid.
- Liaise with other bodies whose work affects the needs and operation of the energy system. The co-ordination of energy industry markets, regulation and operation is split between multiple parties. For this new **Strategic Function** to effectively fulfil its purpose, a large part of its role must be liaising with and coordinating the work of other bodies.
- Work to provide long term stability for the industry. This will be facilitated by the strategic vision and a long-term road map of code changes; however, the exact operation of this strategy will determine whether it supports industry to make long-term well-informed investments. It is therefore key that this is considered by the new **Strategic Function** when it plans its operations.
- Ensure new market participants, technologies and business models can enter the market when they represent a net benefit for consumers.
- Decide on priorities between different issues where there is a shortage of resources.

Q12. How may this new function potentially impact the roles and responsibilities of other parts of the framework? Do you foresee any unintended consequences?

As outline in Question 11 the **Strategic Function** must have an obligation to maintain the codes to provide a secure system. We suggest that the distinction between National Grid ESOs system security responsibilities and the **Strategic Function** would be as follows:

- National Grid is responsible for the real time operation of the grid and complying with the system security requirements outlined in the codes.
- The IMRB would be responsible for maintaining the system security requirements ensuring they are sufficient and efficient considering the wider system factors. This also highlights the need of the **Strategic Function** to **consider and resolve issues raised by the impact of non-licensees and new technologies on system security and efficient operation.**

In addition, we noted the need for the **Strategic Function** to highlight and affect non-licensed actions if they could pose a future danger to system security or increase the cost of the system. For the **Strategic Function** to complete this obligation it must interact with bodies **such as the British Standards Institute** who can place regulations on these technologies (such as requirements for home energy management systems or electric vehicle chargepoints). The **Strategic Function** should work with standards institutes offering expertise during standard creation and push for new standards to be created where they find a need.

Finally, the interaction with this **Strategic Function** and Ofgem must be carefully considered as poor cooperation between these entities, possibly due to misaligned incentives and poorly defined responsibilities, will hinder the implementation of reforms; particularly as Ofgem will hold the power to create licenses for stakeholders.

Q13. What are your views on how the strategic direction should be developed and implemented (including the option of establishing a strategy board to aid engagement)?

The strategic direction should be developed in a way which provides long-term visibility for industry of the changes that will be made in the energy system.

We suggest a rolling plan approach, updated each year, that would signal the longer-term functionality which the industry codes will enable at different times, with details of how this functionality will be delivered being iteratively added closer to the time. The independent Strategic Function should create the long-term strategic direction using their internal expertise, augmented with workshops which gather industry, government and the code managers) liaison with stakeholders with specific expertise and a comprehensive horizon scanning. The Code Managers must be represented when the strategic direction is being created, as they will be the point of expertise for the complexities of the codes and therefore well placed to help create an effective long-term roadmap.

It is key that after the strategic direction is created an approach is taken to deliver the required outcomes in line with the timeline of required functionality.

Once the approach has been determined the Code Managers would determine and deliver the necessary code changes.

We suggest sufficient stakeholder engagement will remove the need for a strategy board with specific appointed representatives.

Q14. Do you think that the scope of the Strategic Function should be limited to taking account of the Government's vision for the energy sector and translating it into a plan for the industry codes framework, or are there other areas it should address? (for example, impact on vulnerable consumers)? Yes/No/Don't know. Please explain.

Almost all areas of the UK economy are dependent on, or interact with, the energy industry. The Strategic Function must consider all areas of government policy with implications for the energy system or vice versa. We expect this to cover a wide-ranging set of policies as the operation of our society naturally has an impact on the electricity grid and vice versa. This must translate to the Strategic Function taking a system of systems perspective (considering and coordinating the interaction between different systems such as the gas grid, electricity grid and the transport network).

However, it must be remembered that key areas of government policy, such as delivering Net Zero before 2050 and the Industrial Strategy, will crucially depend on the development of the codes. In these areas and others, to deliver the maximum benefit to consumers in the long term, there may be conflicts with other government policies in the short term i.e. fuel poverty reduction. In this event whether the policy can be achieved through other avenues should be weighed against the net long-term benefit. Therefore, the new **Strategic Function** should be established with an official mechanism to inform government of the potential impact of planned code modifications. When needed, this could facilitate the creation of comprehensive complementary policies which ensure the delivery of UK policy goals. This will ensure the system can develop in an economically efficient way and meet its policy targets: thereby delivering maximum benefit for consumers.

Q15. Do you agree that in addition to the current responsibilities that code administrators have, that a. the code manager function should also have the following responsibilities: a. identifying, proposing and developing changes (analysis, legal drafting etc.), including understanding the impacts; b. making decisions on some changes, or making recommendations to the strategic body; and c. prioritising which changes are progressed. Yes/No/Don't know. Please explain.

We strongly support the move away from code administrators to fully engaged, expert code managers. During our engagement with stakeholders we found the term 'Code Managers' does not convey the substantial difference between the role of the current code administrators and the proposed new code manager/s. Therefore, we suggest the name of this new 'Code Manager' is altered to reflect their new expertise and empowered pro-active role.

Q16. What is the best way to ensure coherent end-to-end changes to the codes and related systems? For example, is it through having end-to-end code and system managers?

We strongly support the proposal for an IRMB (Model 1), or a single code manager (Model 2), to ensure that content is not institutionally siloed. This would facilitate co-ordination from start to finish and across all subject matter areas.

The exact mechanism which ensures coordination could be delivered in numerous ways i.e. a team with oversight of code changes, regular meetings between teams/senior leadership to communicate progress on work, digitalised threads which shows personnel working on different areas of code content. However, we do not see a benefit in these processes being dictated to the organisation but suggested as a flexible way of operating. We see the key to delivering coherent changes to be a regular internal review process which assimilates learnings from projects and converts these into improvements of the internal processes.

Q17. Should the approach differ on a case-by case basis (i.e. depending on the code or system in question)? Yes/No/Don't know. Please explain.

To facilitate stakeholder engagement and transparency, there should be some consistency across the modification process, however there should be flexibility, potentially through different standardised processes, to ensure the process is not inefficient. The relevant process which should be undertaken for a code modification (for example, based on system impact, need for specific industry expertise or the need for a continual iterative change process) could be determined at the triage process. Key differentiators between the different processes must be the diligence, independence, expertise and speed of decision making necessary for the specific code modification. It must be ensured that the necessary level of each of these factors is met for each code modification.

Q18. Do you agree that the code manager function should be accountable to the strategic body and that this should be via a licence or contract? Yes/No/Don't know. Please explain. Please note questions 19- 26 only apply in respect of Model 1 (code manager function and a strategic body).

Under model 1, we support this proposal.

Q19. Are there more effective ways that a code manager function's accountability to the strategic body could be enshrined other than in a licence or contract? Please explain.

No comments.

Q20. Do you agree that we should not consider further a model whereby code managers are accountable to industry? Yes/No/Don't know. Please explain.

There must be a carefully considered appeal process but ultimately the code managers should not be solely accountable to industry as this would potentially handicap them lead to the current barriers caused by incumbent-bias decision making.

The accountability of the IRMB, Strategic Function and Code Managers is key to their correct operation and acceptance within the industry. They must be accountable to an institution with the expertise to effectively engage with the issues.

Q21. Do you have views on whether the code manager function should be appointed following a competitive tender process or other competition? Yes/No/Don't know. Please explain.

We strongly believe the new code manager/s should not be appointed via tender but must be established as a specialised, independent centre of expertise. Several problems could arise if code managers are appointed via tender:

- No one company currently has the necessary range of expertise to manage all areas of the codes. Therefore, a tender process will ensure there are multiple Code Managers managing different areas of the codes. This will entrench the traditional structure of the codes in the new system and institutionalise siloed thinking, significantly hampering any change process which attempts to alter the shape of the industry. Further, this will reduce the cooperation and co-ordination between teams implementing code changes in different areas; a key breakdown of the current arrangements which these reforms are actively working to resolve.
- The tender process implies the Code Manager could change after one round of the tender. This would remove the key benefit of knowledge retention from these proposals likely leading to inefficient code changes and management.

Q22. Do you think the code manager function should be established by the strategic body creating a body or bodies? Yes/No/Don't know. Please explain. If the code managers were established in this way, would we need to consider any alternative approaches to funding or accountability? Yes/No/Don't know. Please explain.

No comments.

Q23. In terms of establishing/choosing the code manager function, do you agree that we should not consider further: a. requiring an existing licensee to become the code manager; and/or b. requiring a licensee (or group of licensees) to create the code manager? Yes/No/Don't know. Please explain.

We strongly agree for the reasons highlighted in response to Question 21.

Q24. What would be the most effective way to ensure the code manager function offers value for money (for example, through price controls or budget scrutiny)? More broadly, what is the right incentive framework to place on the code manager function? Please explain.

Government appears best placed to determine an appropriate funding model for the new code manager function. During this process, it must be remembered that the costs of the new code manager function itself will be trivial compared to the cost of inaction. Furthermore, key areas of government policy, such as delivering Net Zero 2050 and the Industrial Strategy, will depend on getting this governance change right. This code manager function must be sufficiently resourced and its funding must not be affected by funding cycles.

Q25. Are there any factors that: a. would stop parties (including code administrators) from becoming a code manager b. should prevent parties from becoming a code manager (e.g. do you agree that licensees should not be able to exercise control of the code managers).

No comments.

Q26. How should the code manager function be funded (for example through licence fees or by parties to the code(s))?

No comments.

Q27. Are there any quick wins that could be realised in terms of code consolidation and simplification?

We consider most apparent quick wins as inconsequential; the removal of never accessed code sections does not alter the ease of using the codes simply the statistics on code length and, removal of code detail sometimes increases the chance of conflict.

However, in the short term, we see merit in establishing a forum to coordinate, or at the very least discuss, changes which affect multiple codes. This could have multiple benefits including facilitating changes which have a large positive for one code, but a minor negative for another.

Q28. How many codes would best deliver on the outcomes we are seeking under these reforms?

In many ways the number of codes is immaterial to making them more accessible. This is determined by the underlying principles of the regulations, such as the need to be in simple language, outcome orientated, proportional to stakeholder size and digitalised (leading to bespoke

codes covering the operations of industry participants). That said, we support the number of codes being reduced and do not take a specific view on the best future arrangement other than being wary of dual fuel codes in cases without clear potential synergies.

It is important to consider that the traditional divisions between different operations may disappear in the future. Therefore, the code structure should not entrench the traditional structure of the industry in the code managers thinking.

Q29. Which option (one code manager versus multiple) would best deliver on the outcomes we are seeking under these reforms?

We support the proposal of a single code management organisation as this will best deliver the aims of this code reform. A single code manager will deliver the agile, co-ordinated governance needed for future transformative code changes as well as creating a single centre of knowledge to support the industry's evolution. Furthermore, the future landscape may be suited to a different division of the code content in the future, therefore traditional thinking around the structure of the energy system should not be entrenched in the new governance arrangements.

Q30. Which of our consolidation options would best deliver the outcomes we are seeking to achieve? Please provide evidence for your examples.

We do not see a clear benefit of any of the proposed options provided the principles outlined in our response to Question 28 are followed:

- Do not create dual fuel codes except where there are clear synergies.
- The underlying principles of the regulations must be changed to ensure they have simple language, are outcome orientated, proportional to stakeholder size and digitalised (leading to bespoke codes covering the operations of industry participants). Without these changes, rearranging the codes will have no material impact on ease of use.
-

Q31. Do you agree that the codes should be digitalised? Yes/No/Don't know. Please explain.

Yes, digitalising the codes will be key to making them easier to access, alter and engage with. We see this as a preliminary step in the path to making industry governance fit for purpose which must be implemented. Therefore, we strongly support the proposal that codes will be available through a single online portal where they will be tailored for the specific operations of a user and it is possible to follow a digital thread of content. We agree that this will ease contact for users as well as reduce the administrative burden for code changes.

Q32. What role should industry have in monitoring code compliance or making decisions on measures needed to address any identified non-compliance?

We do not see a role for industry in monitoring or making decisions on the suitable penalties/action for code non-compliance.

Q33. Which of the two models we propose would better facilitate effective monitoring and compliance arrangements? Please explain.

The role of monitoring compliance should rest with the Code Manager as this will align with their role; writing the codes and ensuring it is possible to clearly assess stakeholder compliance. The experience which comes from monitoring compliance will support them in this role to produce clear and effective rules.

The codes should have processes which are proportional and appropriate for the size of the stakeholder being considered in order not to overburden the participants with the regulatory workload. For example, a new small stakeholder should have a smaller regulatory workload than one with much larger resource. The ability to provide this tiered system is heavily dependent on having appropriate mechanisms assessing compliance.

Q34. With Model 2 - integrated rule-making body - should the IRMB have responsibility for imposing measures (where a party is non-compliant with the code) or should this be for another organisation? Please explain. Please note this question only applies in respect of Model 2 (integrated rulemaking body).

No comments.