



Email to: industrycodes@ofgem.gov.uk, codereform@energysecurity.gov.uk

5 May 2024

Dear Ofgem's Code Governance Reform Team,

Response to the Energy Code Reform: Code Manager Licensing and Secondary Legislation

Scottish Renewables is the voice of Scotland's renewable energy industry. The sectors we represent deliver investment, jobs and social benefits and reduce the carbon emissions which cause climate change. Our 350-plus members work across all renewable energy technologies in Scotland, the UK, Europe and around the world. In representing them, we aim to lead and inform the debate on how the growth of renewable energy can help sustainably heat and power Scotland's homes and businesses.

RenewableUK members are building our future energy system, powered by clean electricity. We bring them together to deliver that future faster; a future which is better for industry, billpayers, and the environment. We support over 400 member companies to ensure increasing amounts of renewable electricity are deployed across the UK and access markets to export all over the world. Our members are business leaders, technology innovators, and expert thinkers from right across industry.

Following our most recent response to Ofgem's consultation on the implementation of the energy code reform, Scottish Renewables and RenewableUK welcome the chance to provide additional input to the reform of code manager licensing and secondary legislation. Due to the inherent connection between the two consultations, our response will naturally echo priorities set out in our energy code reform implementation recommendations.

To ensure the code consolidations and other code reform modifications achieve their intended effect of streamlining processes, the code manager role needs to be aligned with Ofgem's strategic direction. Close coordination between the two will optimise the efficiency of code modification processes and ensure Ofgem's strategic direction consistently informs decision-making in line with the desired national trajectory.

In line with our energy code reform implementation response, the importance of safety, reliability and security of the network should be detailed in the strategic direction statement as well as in any code objectives. These priorities should be included in code manager licenses to ensure they shape the management of code modifications.

While code managers are responsible for the day-to-day management of the codes, the aim of overall code governance reform is for modifications to consider long-term, net-zero goals and to include Ofgem's insight. To facilitate clear communication between Ofgem and the code managers, there should be appropriate bottom-up and top-down mechanisms for feedback in both directions. Through a tiered management approach, Ofgem can maintain strategic oversight over the code governance and, crucially, have the final say on strategic objectives for the consolidated code groups. Scottish Renewables and RenewableUK encourage Ofgem to explore specific avenues that could be built into the code manager license to facilitate Ofgem proactively inputting at appropriate stages of code modifications.

We generally agree with the high-level content in the licence skeleton and the priority areas as set out by Ofgem, notably the onus placed on mitigating code managers' potential conflicts of interest. Concerning the selection of code managers, we support the preference for a non-competitive process to ensure value for money and speed of delivery, as defined by Ofgem. As part of this, we stress the importance of Ofgem's assessment of conflict of interest specifically as part of its overall eligibility evaluation. Likewise, the proposal for code managers to act on a not-for-profit basis is critically important to safeguard the code from modifications motivated by factors other than those pre-determined by Ofgem.

However, we believe that for existing code administrators applying, it would be relevant and beneficial to consider their previous performance. Similarly, in light of the importance of maintaining Ofgem's strategic direction, it would be appropriate to request code manager applicants to detail their plans to hold this. The applicant could be asked to evidence its intentions for how it would implement, monitor and evaluate the impact of the strategic direction on a continual basis.

The inclusion of Stakeholder Advisory Forums (SAFs) within the new code governance further reinforces a non-biased approach that is steered by informed, industry views, as opposed to shareholders. Within these SAFs, appropriate weighting should be given to those industry representatives bound by licensing conditions, which motivate their performance within a licensed area, compared with entities driven predominantly by commercial factors. Ensuring code managers adequately consider expert industry advice will be particularly important for any modifications related to network security and resilience. As such, Scottish Renewables and RenewableUK recommend Ofgem considers implementing a supporting technical committee made up of licensed industry members, providing cultivated insight on network security and resilience in cases where code modifications affect these factors.

Finally, while the consultation states that Ofgem does not have the resources or experience to scrutinise code manager budgets, this creates an inherent risk to the assessment of cost

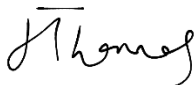
efficiency. If Ofgem does not have sufficient oversight over code manager financing, there would be no insight into how the new process brings greater consumer value. We recommend Ofgem reconsider and address this within the consultation.

Assuring that energy codes evolve efficiently and effectively towards net-zero targets requires strong direction by Ofgem to be felt throughout the governance process. Upholding code manager integrity complements such a priority and the recommendations within the code manager license reform as set out by Ofgem attempt to eradicate vying commercial interests from colouring code manager behaviour. In addition, the eventually appointed code manager should be assessed to have the necessary demonstrable skills and financial stability to conduct the work entailed.

We believe Ofgem is balancing the need for timely reform with robust code manager assessment as set out in its proposal. However, we encourage Ofgem to explore developing additional, substantive pathways to provide input to code managers throughout the process and to consider setting up a separate, technical committee to advise on modifications related to network security and resilience.

Scottish Renewables and RenewableUK would be keen to engage further with this agenda and would be happy to discuss our response in more detail.

Yours sincerely,



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