

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 on the preliminary Strategic Direction Statement and code governance arrangements – response template

This document provides a template for responses to our consultation on the preliminary Strategic Direction Statement and code governance arrangements, published on 31 January 2025.

If you are interested in responding to this consultation, please complete this word document and send it to industrycodes@ofgem.gov.uk by the end of the day on Friday 28 March 2025.

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:

Contact name	Jon Dixon
Role title	Director of Strategy and Development
Company name	Retail Energy Code Company
Telephone number	020 3830 7016
Email address	Jon.dixon@retailenergycode.co.uk

Date of submission	28/03/2025
Do you want your response treated as confidential? (If yes, please indicate whether you would like the whole of your response to be confidential, or just particular parts).	No

Template part 2: consultation responses

Consultation section 2 – Approach to the Strategic Direction Statement

Question 1 – Is the structuring of SDS content into three time-horizons (Act now, Think & plan, Listen & wait) helpful?

-
- **Agree**

Comments:

We agree that it is helpful to have three time- horizons, which is common to common to strategic planning, including our own. However, we think it would be beneficial for any deliverables in the 'Act Now' category to be more developed, if possible signposting content for the delivery plan to support the SDS requirements, i.e. what change is expected to be made to the named codes. As a minimum we consider that any requirement in the "Act Now" category should have previously been subject to a detailed consultation and impact assessment, as many of the proposed requirements are simply too vague to act upon.

We are also concerned that some of the requirements in the 'Act Now' category are subject to pending Ofgem or government decisions before action can be taken, even to the extent of identifying which code they refer to. As a result, the 'Act Now' categorisation is in some cases premature. While it is helpful to reference these expected requirements for completeness, we consider that it may more appropriate for requirements that are yet to be confirmed to be either listed in the 'think and plan' horizon, pending decision, or at least include a suitable caveat to the effect that the Code Manager responsible to deliver in a given timeframe will be preconditional on the outcome and timing of any necessary decision, etc.

We also consider that Ofgem should agree a set of principles when setting deliverables for the three categories for enduring arrangements, following the designation of the codes. For example,

- any Act Now requirements should have already been signposted as either a think and plan or listen and wait category in a previous SDS to provide code managers with greater certainty;
- Act Now requirements should have a genuine capability of resulting in a change proposal within two years;
- All the relevant codes need to be identified in the Act Now category. In some instances, a code has been identified as unknown in an Act Now category.
- All initiatives in the SDS should have a genuine capability of requiring code change within five years or clearly signposted where that is unlikely to be the case.

Question 2 – 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.

- **Agree**

Comments:

Subject to the caveat mentioned in answer to Q1, we broadly agree that the categorisation of modification into the three time-horizons is appropriate. We are grateful for the early engagement on the areas that are expected to form the requirements for changes to the REC, which helped inform our forward work planning for 2025/26¹, and as such we are broadly comfortable with those areas of change that are clearly expected of the REC. However, we note that in many cases the expected changes to deliver those policy intentions is far from clear, either in scope or the effected code(s). We would welcome further discussion on how the requirements may evolve ahead of the final SDS being published, albeit in an as yet non-binding manner.

We are also concerned that in some cases the scope of work and/or time horizons suggested in the preliminary (and potentially final) SDS may be superseded by government policy, which if not aligned early could cause significant further work and/or re-planning. For instance, we note that the Planning and Infrastructure Bill includes provisions for the government to compensate householders located within close proximity to new or upgraded electricity transmission infrastructure. Payments are expected to be

¹ [RECCo-Draft-Forward-Work-Plan-2025-28.pdf](#)

delivered to householders (and linked to that property rather than the consumer) through electricity bill discounts, and as such is likely to require reconciliation amongst suppliers to ensure an equitable distribution of costs. Together, these features appear to have similarities with schemes such as the Payment Method Levelisation and the Green Deal. This scheme appears to be related to Section 6.1 of the preliminary SDS, which refers to initiatives designed to accelerate onshore network investment. However, the preliminary SDS assumes such an initiative to be in the 'listen and wait' category, whereas the governments stated implementation date of 2026 would require it to be in the 'Act Now' category. Section 6.1 also identifies the impacted codes as being the D-code, STC and "Unknown" codes. We consider that work needs to be done quickly to identify the full requirements of these scheme and any impacts on the as yet unknown code to ensure delivery by 2026.

Question 3 – 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.

- **Don't know**/no view

Comments:

Whilst the preliminary SDS appears to cover the wide possible spectrum of likely governmental policy, these are in some cases still at a very high level and would welcome further clarity in some areas what will be required for practical implementation within the final version, whilst leaving detailed development for the relevant Code Manager(s). We recognise that in some cases Ofgem is itself waiting to know what the government's full policy agenda will be, and that that agenda will inevitably in light of changing circumstances, technological advances, etc.

However, at this stage we would welcome a fuller mapping of the SDS against the government short legislative agenda, as set out in the king's speech. We have for instance referenced in answer to Q3 anticipated impact of the Planning and Infrastructure Bill not only on the codes directly associated with transmission infrastructure, but also the more consumer facing parties and codes associated with consumer billing.

With respect to digitalisation, whilst we welcome the clear and interrelated requirements around Data Best Practice, Consumer Consent and the Data Sharing Infrastructure, we would welcome further clarity on the extent to which they are consistent with the emerging requirements of the Data (Use and Access) Bill, and whether any change to early planning

and working assumptions may be necessary. In particular, while the Bill appears to align with the early work on Consumer Consent, its scope is broader than the Ofgem Minimum Viable Product. It would be helpful to ensure that any timetable associated with Consumer Consent project, particularly the delivery of the MVP and wider use case in subsequent phases, is consistent with the requirements of the legislation in order to avoid any competing priorities and/or re-planning.

Question 4 – 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?

- **Yes**

Comments:

We found the SDS was a useful document to bring together in one place all the initiatives that will or might need code changes in the short to medium term. For the REC specifically, it sets out where changes are already in train, e.g. change proposals awaiting Ofgem decision on non-domestic issues, and where further Ofgem and/ or government decisions need to be made before changes can be raised e.g. for SSES, code reform etc. We believe there is scope for code bodies to take the lead on some of the issues raised for example it is not clear why Ofgem would necessarily need to change the prioritisation criteria through transitional powers rather than code bodies taking the lead to implement the changes. We would welcome the opportunity to engage with Ofgem to agree where it might be beneficial for code bodies to take the lead to support Ofgem in delivering against some of the Act Now changes and this will also help us to determine the scope of a delivery plan.

Question 5 - If you are a code administrator or code panel, what action do you intend to take, if any, to implement the SDS following publication?

Comments:

As part of our preparation for responding to the preliminary Strategic Direction Statement (SDS), we hosted a stakeholder drop-in session on 20 March 2025, attended by a broad cross-section of REC stakeholders. Feedback from the session strongly supported the need for greater clarity and certainty in the SDS, as well as the development of guidance on prioritisation and the use of the cooperation licence condition. Stakeholders also emphasised the importance of aligning delivery planning across codes. A summary of this engagement has been published and supports the positions set out in this response.

Although we are not yet under a formal licence obligation to produce a delivery plan, we are actively progressing this work, with support from our stakeholders. In particular, we believe the areas of prioritisation and the cooperation licence condition warrant targeted

consultation to determine whether—and how—additional guidance could be developed to provide clarity on implementation. Given that both topics require cross-code coordination, we believe a collaborative, cross-code approach to delivery planning would be most effective.

We consider there is sufficient content in the preliminary SDS to begin developing a delivery plan, particularly around prioritisation criteria, cooperation licence implementation, and forward planning for code changes. We therefore propose a hybrid model, where each code manager develops a plan relevant to their code, supported by a shared annex or joint guidance to ensure consistency on cross-cutting issues, while preserving the flexibility to tailor delivery to code-specific contexts.

Question 6 - 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.

- **Yes**

Comments:

To effectively implement the SDS within existing budget-setting and planning processes, we have developed a set of delivery principles. Our starting point is that the timing of the SDS must align with code body budget cycles, enabling strategic change to be planned and resourced well in advance. Engagement with other code bodies indicates general consistency in budgeting processes, with planning taking place in the winter and new budgets commencing at the start of the financial year.

Timing should also take into account stakeholder capacity and ensure a logical sequencing of consultations. A key risk of publishing the final SDS before delivery plans are developed is that some requirements may prove undeliverable within the specified timeframes. An alternative—and more effective—approach would be to consult on the SDS and then allow sufficient time for code bodies to develop and consult on delivery plans prior to finalising them. This would lead to a more robust SDS and a smoother transition into delivery, as plans could be published shortly after the SDS is finalised.

A complementary option would be for Ofgem to engage with code bodies before issuing the SDS consultation. Early engagement would improve the quality of the draft SDS, reduce uncertainty, and help ensure delivery plans are well-informed and appropriately resourced from the outset.

To further support coordinated delivery, we propose the introduction of regular cross-code collaboration meetings, including participation from Ofgem. These meetings would be particularly valuable in cases where it is not yet clear which code manager will lead a given initiative, or where there are interdependencies between codes. Such engagement should take place throughout the year, with increased focus in the lead-up to budget-setting and planning cycles.

Where appropriate, these cross-code meetings could be organised into topic-specific clusters—for example, on data and digitalisation, flexibility, or consumer protection—rather than involving all code bodies in a single forum. This would allow more focused and efficient discussions on common areas of work, while still supporting alignment and coordination across the wider code landscape.

Based on our own internal planning and stakeholder engagement, we propose the following principles for effective SDS delivery:

- **Certainty:** 'Act Now' initiatives should be clearly signposted and ready for near-term delivery.
- **Realism:** Activities labelled 'Act Now' must be achievable within a two-year window.
- **Autonomy:** Where regulatory intent is clear, code managers should have the freedom to lead on delivery.
- **Timing:** The SDS process should align with code body budget cycles and allow adequate time for consultation on delivery plans.
- **Cross-Code Coordination:** Clear mechanisms—including structured collaboration forums and topic-based clusters—should support consistent prioritisation and sequencing across codes.

Question 7 - Do you have any other feedback?

Comments:

We recommend that future iterations of the SDS include a short retrospective section summarising progress made under the previous SDS period. This will provide continuity, allow Ofgem to reflect on whether its 'Act Now' expectations were deliverable, and give stakeholders greater confidence in forward planning. It will also support the case for evolving from sequential to more iterative SDS-delivery plan processes.

Consultation section 3 – Code governance arrangements

Prioritisation of code modifications

Question 8 – 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.

- **Neither agree nor disagree**

Comments:

We do not consider that the proposer will be well placed to assess their proposal against the prioritisation criteria, as it should be assumed that they have, or need to have, the necessary knowledge of the matters referred to the prioritisation criteria. While the proposer should be free comment if they wish, it seems an unnecessary burden to place on the proposer and create unnecessary friction to their ability to raise a change which would seem contrary to the principle of accessibility that underpinned the development of the REC. Even in the absence of any conflict of interest that could influence that initial assessment, it would at best be duplicated (and likely nugatory) effort given the subsequent assessment that must be made. We also consider that the subsequent and ultimately prevailing assessment in respect of prioritisation must be made by the Code Manager. The Code Panel will shortly be replaced by a Stakeholder Advisory Forum, which Ofgem has confirmed will not have a decision-making role, with such decisions appropriately being made by the relevant Code Manager (informed by the SAF views) who will be accountable for the progression and where appropriate the delivery of those changes.

We agree that it is sensible for a change/modification register to be maintained for all codes, but believe that all code already do so, in which case any further prescription appears to be unnecessary. Indeed, prescription in this area could have the unintended

consequence of requiring all codes to offer a 'vanilla' service that meet the prescribed definition, rather than seeking to innovate and improve the service they offer, either in response to feedback from stakeholders or iterative adoption of best practice,

Question 9 – Do you agree with our proposed prioritisation criteria and prioritisation categories? If not, please specify what changes you suggest and why.

- **Neither agree nor disagree**

Comments:

The REC already has a prioritisation matrix, which was introduced alongside the rest of the code and has undergone refinement in light of operational experience.

While we agree that the relevance of a change proposal to an SDS deliverable should be a consideration of the prioritisation, we do not agree that it should be the overriding consideration. We are also concerned that the proposed outcomes of the prioritisation matrix would be effectively binary, with change simply being classified as either a priority or not. Such a two-tiered approach would offer little guidance on the relative priority of changes within each category.

In contrast, the current REC prioritisation process assigns each change proposal an individual weighting based on six criteria, which can be broadly mapped to those proposed by Ofgem as shown in the attachment submitted with this response. This ensures that the relative benefits of each change proposal are considered and their development and implementation prioritised accordingly. Moving away from this methodology would appear to be a retrograde step for the REC.

However, we also recognise that it would be beneficial for code Parties and other stakeholder if there was a common approach to prioritisation across the codes. This would, amongst other things, ensure a change that has cross code impacts would progress along a consistent and ideally coordinated timetable. This would be an improvement on the current cross code collaboration which is effective in identifying any cross-code impacts of a change, but less effective in ensuring that progress in concert. Without such coordination, the risk remains that even prioritised 'consequential changes' would progress at a varying pace across each impacted code, simply as a result of differing workloads and available of resource.

As noted elsewhere, the code bodies are increasingly working together on common issues and we consider that this is a great opportunity for them to come forward with proposals

to demonstrate how a common prioritisation methodology could take into consideration the SDS and still assigns each change proposal an individual relative prioritisation. We also consider that there is scope to enhance the current role of the cross-code steering group to play a role not simply in identifying cross-code impacts, but assigning an appropriate priority and timetable that appropriately takes into account the circumstances of each code. This could for instance mean assigning a higher priority and/ or earlier implementation date than might have been the case had a 'consequential' change been considered in isolation.

Question 10 – 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.

- **Disagree**

Comments:

As noted in our response to Q8 and Q9, we are concerned that the proposed prioritisation categories would be a retrograde step for the REC, which already applies a prioritisation methodology to all issues and change proposals and could readily incorporate reference to the SDS and assign appropriate weighting, without losing the ability to assign a relative priority to each individual proposal.

We have also noted our concern at the proposed requirement for a propose to make this initial assessment, increasing the burden them and potential inhibiting their ability to quickly and efficiently raise an issue or change proposal, which would be detrimental to current level of accessibility. We also consider that this initial assessment would serve little value, as it would simply capture the proposer's opinion and may quickly be superseded by any subsequent assessment by the Code Manager.

We also consider that the drafting will be quickly obsolete, as we will fairly shortly be replacing the REC Change Panel with a Stakeholder Advisory Forum. We consider that it would be preferable if the Code Managers, or at those expected to be in the first phase of being licensed Code Managers, are instead instructed to bring forward necessary proposals (whether as part of this first SDS or other otherwise) that implements the stated intention of providing priority weighting to SDS related changes, and in a manner consistent with the draft licence conditions. We would for instance expect to reference the SAF within any process, but ultimately to retain responsibility and accountability for the appropriate prioritisation and progression of changes as the relevant licensee.

Question 11 – 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.

- **Disagree**

Comments:

As set out in response to Q8, Q9 and Q10, whilst we are comfortable with the principle of prioritisation and that the relevance of a change to an SDS deliverable must be part of that prioritisation, we consider that the proposed categorisation is too simplistic and would be a retrograde step as compared to a suitably revised version of the REC methodology.

Question 12 – Do you have views on whether this proposed prioritisation process should 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?

Comments:

We consider that prioritisation is appropriately a dynamic process, with initial evaluations capable of being revisited in light of new information, either in respect of the individual change or competing priorities. Those principles are currently applied in respect of REC prioritisation. We therefore agree that all live proposals should be subject to re-prioritisation if necessary, once the final SDS is published, and are currently planning to undertake such an assessment.

Role of stakeholders

Question 13 – 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?

Strongly agree

Comments:

We consider that the SDS process will in effect be an alternate means of Ofgem effecting changes to codes that might otherwise have followed the Significant Code Review process. A duty was introduced into the standard conditions of all licenses granted under the Gas Act 1986 or Electricity Act 1989, to cooperate with the Authority or any person(s) appointed by the Authority, as may be required to give full effect to the conclusions of a Significant Code Review. We consider that the rationale for introducing those licence modification would also apply to the changes Ofgem directs to be made through the SDS process. In particular, this obligation on licensed stakeholders to provide necessary

information will support the development and impact assessment of change proposals, and generally lead to more robust decision making. However, we recognise that this approach must be used proportionately, and with regard to the burden it may place on respondents. We consider that together with the other code bodies, we can develop cross-code guidance on how and when information requests may be issued, ensuring that they are necessary, targeted and proportionate in keeping with the principles of good governance.

Question 14 – Do you agree with the proposed criteria the code manager should consider prior to issuing a request for cooperation?

- Strongly agree

Comments:

Yes, we agree that any request made must be reasonable, and the requested cooperation must relate to the development of the designated code and be specifically linked to code modifications related to the SDS. As noted in response to Q13, we also consider that the code bodies could go further to develop guidance on how they will use the information requests to ensure that it is used effectively and consistently across the codes. This should include a reasonable expectation that code managers will have regard to each other’s information needs, and coordinate requests wherever appropriate in order to minimise the burden on respondents.

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?	No
Do you have any comments about its tone and content?	No
Was it easy to read and understand? Or could it have been better written?	Yes

Were its conclusions balanced?	Yes
Did it make reasoned recommendations for improvement?	Yes
Any further comments?	No

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.

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 4.

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.