

Energy Code Reform: Project Update

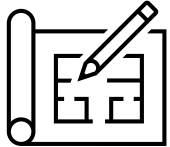


Energy code reform

- Aims to ensure that the codes underpinning market operation can respond to the significantly changing sector, enabling change to be delivered more efficiently and effectively in the interests of consumers, and to support the transition to net zero. The reforms aim to create a framework that is:
 - forward-looking, informed by and in line with the government's net zero ambitions, and ensures that codes develop in a way that benefits existing and future energy consumers
 - able to accommodate a large and growing number of market participants whilst ensuring effective compliance
 - agile and responsive to change
 - makes it easier for any market participant to identify the rules that apply to them and understand what they mean

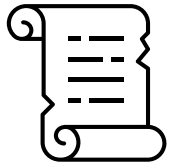
Today's update

- To provide an overview of progress to date (including key decisions on Energy Code Reform).
- To update on next steps (including upcoming consultations).



Implementation consultation

We've consulted on our approach to implementing the package of code governance reforms set in the Energy Act 2023. In August, we published our decision marking a significant milestone in our journey, setting out our approach to transitioning to the new governance arrangements, using the new powers granted by the Energy Act 2023 to revamp how energy code governance works. Over the summer, we've also hosted workshops about the strategic direction and code modification processes.



Code Manager Licensing & Secondary Legislation consultation

Jointly with DESNZ, we've also consulted on code manager licensing and secondary legislation, which set out a series of decisions on code manager licence conditions (covering profit status, budgets, incentives, conflict of interest, controls and code maintenance). We also set out details about code manager selection (eligibility, selection route and selection processes).



SQSS Licence modification consultation

We recently closed our consultation on the licence modifications that we consider are required to designate the Security and Quality of Supply Standard (SQSS) as a 'qualifying document', related to the National Energy System Operator (NESO) licence and transmission licences.

- We're planning to release a **series of consultations** between now and next spring, followed by additional consultations on consequential changes later in 2025.
- We maintain that Energy Code Reform should not be a barrier to ongoing positive work, such as improvements to modification processes or digitalisation initiatives. Panels should continue to pursue these positive changes alongside business-as-usual work.
- We thank you for your continued engagement with energy code reform. We look forward to continuing this journey with the support and collaboration of all our stakeholders.
- Please contact us at industrycodes@ofgem.gov.uk with any questions about energy code reform.

Code manager selection consultation (by December 2024):

- We intend to consult on further details related to the process of selecting and assessing prospective code managers.

Strategic direction consultation (by February 2025):

- We intend to consult on the content of the first strategic direction statement this winter and then to publish the final version in Spring 2025. We expect to publish the final Modification Process Workgroup report alongside this consultation.

Implementation consultation (by March 2025):

- We intend to consult on further elements of our detailed approach to implementation, including content related to code consolidation, code governance, transition timelines and sequencing, and our new powers to issue directions to responsible bodies for central systems.

Code Managers SLCs & CMA Appeals consultation (Spring 2025)

- We intend to consult on further elements of SLC policy jointly with DESNZ in spring 2025. This consultation will also include content on CMA appeals policy.

Thank you for your time.

Ofgem is the Office of Gas and Electricity Markets. We are a non-ministerial government department and an independent National Regulatory Authority, recognised by EU Directives. Our role is to protect consumers now and in the future by working to deliver a greener, fairer energy system.

We do this by:

- **working with Government, industry and consumer groups to deliver a net zero economy at the lowest cost to consumers.**
- **stamping out sharp and bad practice, ensuring fair treatment for all consumers, especially the vulnerable.**
- **enabling competition and innovation, which drives down prices and results in new products and services for consumers.**