

27 September 2021

By email:

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## **Consultation on Energy Code Reform**

Alt HAN Co welcomes the opportunity to respond to the consultation on Energy Code Reform. We note the proposals are targeted at fundamental reform of industry governance to support delivery of strategic policy priorities. Alt HAN Co comprises a small, but important, part of the energy ecosystem, assisting energy Suppliers in delivering parts of the current strategic policy related to smart metering. As such, Alt HAN Co already achieves the main aim of the policy proposals for Code Reform.

### *About the Alternative Home Area Network Company (Alt HAN Co)*

The consultation does not reference the Alt HAN arrangements specifically. This could well be because the current governance and Alt HAN arrangements already deliver upon the intended policy goals for Code Reform and therefore there is no need for the disruption and cost associated with reform.

However for the avoidance of doubt we wanted to set out how we are established and our supporting governance to ensure these are understood when considering the potential impacts of Code Reform changes. Alt HAN Co has been established to enable energy Suppliers to collectively meet their licence obligations with regards to developing solutions for extending the Home Area Network (HAN), when the HAN from a smart installation is unable to reach into the customers home. The Alt HAN solution allows those, who would otherwise not have been able to access their information over the HAN, to enjoy the same smart benefits as other customers.

The requirement to establish the Alt HAN arrangements is set out in the Supplier Licence Conditions (SLC 55 for electricity and SLC 49 for gas). The detailed governance, funding and establishment of Alt HAN Co is set out in Section Z of the Smart Energy Code (SEC), linking back to the licence conditions. Alt HAN Co has an independent Board to oversee the business of Alt HAN and the SEC establishes a representative Forum, comprised of Relevant Suppliers who are the main decision making body. There are some interactions with the SEC Panel and the SEC Administrator but Alt HAN has its own Secretariat function and decisions of the Forum are not overseen by the SEC Panel (an appeal of a Forum decision must be made directly to the Authority). The budget for Alt HAN

activities are subject to industry consultation (and appeal to the Authority in the event of challenge) and major decisions are informed by an Economic Case that establishes how AltHAN meets the policy objectives.

**In this respect the Alt HAN arrangements are already established in such a way that Alt HAN delivers strategic policy objectives, working in collaboration with strategic bodies and industry, with the same checks and balances that the Code Reform proposals would establish (with appeal routes to the Authority).**

#### *Responses to specific questions*

We have focused our responses below on the areas directly relevant to the Alt HAN arrangements. We have not provided a formal view on the merits of the options proposed as individual energy Suppliers, whom the Alt HAN Co arrangements support, will have their own views.

**Question 2. What are your initial views on how central system delivery bodies should be regulated (including their relationship or integration with code managers and the extent to which licensing may be appropriate), bearing in mind this may be the subject of future consultation?**

We are unsure if the systems developed in support of the Alt HAN arrangements would fall within scope of the Central Systems Delivery function. However Alt HAN Co has been designed in such a way that it meets the policy ambitions of Code Reform (delivering on strategic change). There is a strong case that entities like Alt HAN Co should continue to operate and deliver without being subsumed into a wider Central System or Code Management functions, which could disrupt the benefits achieved under the existing Alt HAN model.

**Question 3. To what extent do you agree with the detailed roles and responsibilities of the strategic function, as set out above, and why?**

Alt HAN Co has no particular view on the specific roles and responsibilities of the strategic function. The Alt HAN arrangements can work seamlessly to deliver priorities set by any strategic function to continue to deliver on policy priorities on behalf of energy Suppliers (as we do with BEIS and energy Suppliers today).

**Question 4. To what extent do you agree with the roles and responsibilities of the code manager function as set out above, and why?**

We do not believe there is any benefit in the Alt HAN arrangements and the governance for these would need to be changed as a result of the Code Reform proposals. Although the SEC is within scope, there is a clear case that the Alt HAN arrangements could continue largely unchanged (Alt HAN would take direction from the strategic body (in the same way that AltHAN works closely with BEIS, on behalf of energy Suppliers, today).

Alt HAN Co has been designed in such a way that it largely meets the policy ambitions of Code Reform (delivering on strategic change). There is a strong case that entities like Alt HAN Co should continue to operate and deliver without being subsumed into a wider Code Management function, which would disrupt the benefits achieved under the existing model.

**Question 5. To what extent do you agree with the proposed roles and responsibilities of stakeholders as set out above, including the role of the stakeholder advisory forum, and why?**

The consultation discusses the creation of advisory forums in the absence of Code Panels (whose functions would be picked up by the Code Managers). It is not clear whether this approach is intended to apply to the Alt HAN arrangements. The Alt HAN arrangements are not subject to the same Panel oversight as the rest of the SEC. Although the SEC Panel has an objective to ensure the Alt HAN arrangements are given effect, this is largely achieved through the bodies and governance arrangements set out in Section Z. Section Z provides for a Forum who make the key decisions related to the Alt HAN solution, acting collectively as a Supplier Forum with a shared goal to deliver on their Alt HAN licence obligations. Decisions of the Forum are only appealable to the Authority (as there is no SEC Panel role in decision making).

We would need to understand how the proposals would apply, if at all, to Alt HAN governance. For example, they could remain unchanged (as Alt HAN already delivers upon the proposed aims of the consultation, as it delivers on policy priorities), or the relationship between the Alt HAN Company, its Board and the Forum could be revisited should there be a benefit identified in changing the arrangements. In the latter case Alt HAN could take direction from the strategic body or interact with a Code Manager function.

**Question 6. In relation to option 1, where Ofgem would be the strategic body, to what extent do you agree with our proposals on how decisions by the code manager would be overseen by the strategic body with, as a minimum, existing appeal routes retained and moved to the strategic body?**

The Alt HAN arrangements already include an appeal mechanism to the Authority so could remain unchanged (assuming that Alt HAN is not subsumed into a Code Manager body).

**Question 7. In relation to option 2, where the FSO would take on the role of the IRMB, to what extent do you agree with our proposals on how relevant decisions by the code manager function would be appealable to Ofgem, with a potential prior review route via an internal body?**

The Alt HAN arrangements already include an appeal mechanism to the Authority so could remain unchanged (assuming that Alt HAN is not subsumed into a Code Manager body).

**Question 12. To what extent do you agree with the ways we propose that the strategic body**

**select code managers, and why?**

The consultation sets out a number of approaches to selecting code managers and includes the possibility of having some flexibility around how they are appointed to a particular code/service. In this instance we believe those powers should extend to agreeing the continuation of efficient functions, like Alt HAN, where the existing arrangements already deliver upon the benefits of the intended policy goal of delivering against a strategic direction.

**Question 18. To what extent do you agree that the case studies included in the impact assessment are indicative of the major barriers facing code changes under the current system, and why? Can you provide further examples of when current code governance has resulted in either optimal or sub-optimal outcomes?**

We believe the existing arrangements for Alt HAN and its supporting governance and delivery model demonstrates an optimal model for delivery of strategic policy. Alt HAN Co was born of the need of energy Suppliers to progress collective solutions to meet their obligations in support of the Governments smart metering policy. Alt HAN Co was mobilised to develop, assess, test and implement solutions that delivers upon the policy goals in collaboration with the energy industry and policy makers. This type of model therefore provides a template upon which other policy ambitions could be realised.

The requirement to establish the Alt HAN arrangements is set out in the Supplier Licence Conditions (SLC 55 for electricity and SLC 49 for gas). The detailed governance, funding and establishment of Alt HAN Co is set out in Section Z of the Smart Energy Code (SEC), linking back to the licence conditions. Alt HAN Co has an independent Board to oversee the business of Alt HAN and the SEC establishes a representative Forum, comprised of Relevant Suppliers who are the main decision making body. There are some interactions with the SEC Panel and the SEC Administrator but Alt HAN has its own Secretariat function and decisions of the Forum are not overseen by the SEC Panel (an appeal of a Forum decision must be made directly to the Authority). The budget for Alt HAN activities are subject to industry consultation (and appeal to the Authority in the event of challenge) and major decisions are informed by an Economic Case that establishes how AltHAN meets the policy objectives.

**In this respect the Alt HAN arrangements are already established in such a way that Alt HAN delivers strategic policy objectives, working in collaboration with strategic bodies and industry, with the same checks and balances that the Code Reform proposals would establish (with appeal routes to the Authority).**

**Question 20. Are there any other wider industry developments we should consider in relation to the implementation timeline? How do you think these could impact on code reform?**

Energy Suppliers will be installing Alt HAN equipment to meet their rollout obligations in the following years, up to the current end date in 2025. It may be beneficial to avoid any significant disruption to the

institutions, processes and governance arrangements that support this activity. Therefore careful consideration should be given to the risks and benefits of implementing significant code reform in 2024

**Question 21. Are there any implementation issues, risks or transition considerations we should take into account? How could these impact code reform?**

Energy Suppliers will be installing Alt HAN equipment to meet their rollout obligations in the following years, up to the current end date in 2025. It may be beneficial to avoid any significant disruption to the institutions, processes and governance arrangements that support this activity. Therefore careful consideration should be given to the risks and benefits of implementing significant code reform in 2024.

*Conclusion*

We believe that, Alt HAN Co has been designed in such a way that it largely meets the policy ambitions of Code Reform (delivering on strategic change). There is a strong case that entities like Alt HAN Co can therefore continue to operate and deliver without being subsumed into a wider Code Management function, which could disrupt the benefits achieved under the existing model.

We would be happy to discuss our response further. Please contact my colleague [David.jones@althanco.com](mailto:David.jones@althanco.com) in the first instance.

Yours sincerely

A handwritten signature in blue ink that reads "Paul Cooper". The signature is written in a cursive style with a large initial 'P' and a trailing dot.

*Paul Cooper*  
*Managing Director*  
*AltHAN Co*