

28 September 2021

Equinor welcomes the opportunity to respond to your Code Governance consultation. Please see our responses to the questions that we have outlined below.

#### **Code Governance Questions**

**1.To what extent do you agree with our proposals on the licensing of a code manager for in-scope engineering standards, and why?**

Equinor considers with respect to gas that IGEM, subject to HSE consultation and changes to legislation, would be the body responsible for the gas quality standard. Equinor considers that the IGEM governance process relating to this could be improved. Therefore, we consider this should be within scope of an engineering standards code manager, with appropriate governance.

**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?**

System delivery bodies such as Xoserve are essential to the efficient functioning of the whole process and the market as a whole and in our view need to be closer aligned to the code managers.

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

This is difficult to quantify as the FSO is not yet defined. Other proposals are not defined such as a lack of a timetable to work towards merging and rationalising some codes, which Equinor would support as codes would benefit from a reduction in size and complexity. The proposals appear to provide the strategic body with the ability to hold the code managers to account for delivering change, the ability to directly change codes and, if the SCR process is retained, instruct licensees to progress specific change. If Ofgem is the strategic body this gives it very wide-ranging powers to drive change; set direction, incentivise, or direct delivery and determine outcomes.

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

Moving to an approach where most code changes are initiated by a licenced code manager would be a major change from the current system for the UNC whereby the Joint Office coordinates an industry process between code signatories. Although there is arguably a need for more strategic direction and coordination, Equinor does however have concerns around code managers and strategic bodies raising modifications and to determine the progress until conclusion and feels these roles should be kept separate.

Modification processes particularly within the UNC have taken too long and Ofgem's approval process has not been timely. Equinor feels there is merit in exploring the proposed Triage process and looks forward to taking part in an industry consultation to discuss this further.

**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?**

Equinor disagrees with the removal of Industry Panels. This process is well established and has dealt successfully with the implementation and evolution of the codes over many years. Although there may be grounds for a greater level of strategic direction and prioritisation modifications should continue to be dealt with via an industry framework. Further detail is required on how the stakeholder advisory forums will work particularly around roles, responsibilities, and their membership.

**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?**

Equinor agrees that compliance with licence conditions should remain with Ofgem. Some clarity is required around the suggestion that the strategic body should be able to overrule certain code manager decisions.

**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?**

Equinor considers all appeals should be directed and addressed by Ofgem and does not support the implementation of an IRMB.

**8. Do you have any views on the two proposed options for appealing decisions made by Ofgem on material code changes in option 1 (with Ofgem as the strategic body) and option 2 (with the FSO as the IRMB)?**

Equinor considers it is that important that code parties can appeal decisions made by Ofgem as the strategic body irrespective of whether the decision aligns with the recommendation of the code manager. This is to ensure good governance which requires separation of roles and responsibilities

**9. Do you have any thoughts on other potential appeal routes?**

Equinor considers it necessary that appeal to the CMA on economic grounds for decisions is retained under the proposed reform.

**12. To what extent do you agree with the ways we propose that the strategic body select code managers, and why?**

Due to the nature of such a significant change, it is important that code signatories are involved. It is essential that the code manager remains separate and independent from other licenced functions including any future system operator role.

**13.To what extent do you agree with our proposed approach to code manager funding, and why?**

Equinor feels there is merit in code parties funding Code Managers and feels the industry should be consulted further to understand the funding models available.

**14.To what extent do you agree with our proposal that the strategic body should be accountable for code manager budgets, and why?**

Equinor would expect to see an industry consultation in relation to any proposed budget and be able to scrutinise any business plans alongside it.

**15.To what extent do you support the proposed operating model and accountability structure for option 2, where the FSO takes on the role of the IRMB, and why?**

Equinor does not support the concept of the IRMB or that the future system operator takes on such a role. It will take a long time to set up the FSO and potentially be conflicts of interest between the FSO and the industry regulator and potentially government. The lines of accountability and the duties and functions of the FSO are unclear. It would give the FSO an unbalanced role in the future energy system without sufficient checks and balances.

**16.Overall, which of the two options do you think would be best placed to reform code governance, and why?**

Option 1 is preferable although Equinor believes that many of the objectives could be achieved through the existing system in terms of greater use of the Strategic Policy Statement framework and the potential use of Significant Code Review processes.

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

The main risk is that the proposed changes to the code framework and the status of the system operator will take up time and attention that could be better used for making improvements to the codes themselves.

Yours sincerely,

Terry Burke  
Equinor UK Limited