

Ofgem – Industry Codes
10 South Colonnade
Canary Wharf
London
E14 4PU

By email to: industrycodes@ofgem.gov.uk

23 April 2024

Dear Sir/Madam,

Re: DCC response to Ofgem's consultation on the implementation of energy code reform

Thank you for the opportunity to respond to Ofgem's consultation on the implementation of energy code reform. This letter details our response to the relevant questions posed in the consultation and follows our response to Ofgem's 2023 Call for Input.

In summary, DCC supports this agenda but calls for more urgency and a clearer plan of implementation with ambitious milestones. Code reform is a crucial precondition to enabling the energy sector to play its full role in driving towards a net zero future. It will also help promote effective competition and allow the codes to keep pace with technical and commercial developments across energy markets and beyond. As such, the industry – and the UK more widely – needs this programme to deliver sooner rather than later.

DCC views on Ofgem's proposals

DCC is a key enabler of the future smart energy system. Our mission is to help digitise Britain's energy network, make a critical contribution in the effort to achieve net zero greenhouse gas emissions, and to improve the nation's connectivity. We operate under two industry codes, the Smart Energy Code (SEC) and the Retail Energy Code (REC), which govern the end-to-end management of smart metering and the operation of the retail market respectively. DCC therefore has a unique perspective as a central service provider, which underpins our responses.

In broad terms, DCC's view remains that the codes must become more forward looking, agile and able to accommodate the growing number of market participants. Our main points on the specific proposals made in this further consultation are as follows:

- **Pace and a clear plan:** Code reform is a crucial precondition to enabling the energy sector to play its full role in driving towards a net zero future. The idea of code reform and consolidation was first consulted on by Ofgem over 12 years ago.¹ The industry needs this

¹ Ofgem, Promoting Smarter Energy Markets, December 2011: <https://www.ofgem.gov.uk/publications/promoting-smarter-energy-markets>

programme to finally start delivering change. DCC supports this agenda but is now calling for more urgency and a clearer plan of implementation with ambitious milestones.

- **Strategic direction:** DCC supports having a Strategic Direction Statement (SDS) in place for industry codes from 2025. Setting the direction for the development of industry codes in line with an overarching vision for the energy sector will better ensure a single, co-ordinated industry approach. This in turn will better enable the industry to achieve its strategic objectives. DCC welcomes plans to require Code Managers to consult stakeholders in the development of their delivery plans, demonstrating how they will respond to the SDS. We would expect Code Managers to engage closely with relevant central system bodies, such as DCC, when developing these plans, to ensure a fully joined-up and achievable approach. Likewise, DCC supports holding Code Managers to account on their delivery plans with annual reporting and monitoring.
- **Designation of codes and central systems:** DCC supports the scope of the reforms and the associated regulatory approach using transitional powers to designate the 'qualifying documents' and the 'qualifying central systems'. We note that the enduring powers would also then allow Ofgem to issue directions to the central system delivery bodies. We believe that Ofgem must be required to co-ordinate with the relevant central system delivery bodies prior to issuing any such directions. This will ensure that the proposed approach and timescales in the direction for any required system changes are fully understood, efficient, cost-effective and, most importantly, achievable.
- **Reducing regulatory burden:** DCC welcomes all efforts to increase co-ordination and accelerate the pace of change as well as reducing complexity in navigating between codes. This would reduce barriers to effective compliance, competition and innovation. DCC particularly welcomes efforts to create a clearer approach to the code modification processes, including having consistent processes, terminology, code objectives and artefacts between codes. This in turn will further support the industry to achieve its strategic objectives in an effective and efficient manner.
- **Processes for effective redress:** Under Ofgem's proposals, Code Managers will take on responsibility for determining code modification prioritisation and code modification decisions, which currently sit with the code panels. Noting this, DCC would like an effective appeals regime and monitoring arrangements to be introduced for managing conflicts of interest between a Code Manager and other code parties. This may be with regards to the prioritisation the Code Manager has assigned to a modification, or where the Code Manager's decision may not have given full regard to differing views presented by parties. Having these in place should improve the outcome for energy bill payers by correcting errors and ensuring a lack of prejudice in Code Managers' decisions, but also by encouraging care by Code Managers in taking such decisions in the first instance. We recently addressed such an issue with Ofgem's DCC Policy Team, which we would encourage you to review to better understand the challenges facing first-generation Code Managers.
- **Stakeholder Advisory Forums:** Further to the intention for Code Managers to replace the current code panels in making decisions, the proposed Stakeholder Advisory Forums (SAFs) will be an important element in supporting Code Managers in this. Central system bodies, such as DCC, must be represented in these forums, as they play a crucial role as drivers and delivery agents of change. In addition, Code Managers should be required to consult the



relevant SAFs on any decisions that impact their subject area, and to give due regard to those views when making its decision. We would welcome clarification at the next stage on whether there will be a single SAF per code or multiple SAFs each containing specific expertise within a code. We note the current SEC Sub-Committees contain a wealth of expertise and experience on specific details of the SEC arrangements, and DCC finds the input of these groups to be invaluable. We would welcome and encourage this expert input to be retained under the new arrangements.

- **Transition:** DCC supports Ofgem's proposed phased approach to migrating the codes to the new arrangements. DCC agrees with the proposal to migrate the REC to these new arrangements in the first cohort, given it was originally set up based on the views of what a Code Manager would be at that time. We also agree with the approach to migrate the SEC in the final cohort, given the Department for Energy Security and Net Zero (DESNZ) remains closely involved in the delivery of smart metering, and considering the ongoing DCC Licence review. The SEC's transition should be managed in a way as to minimise disruption to these ongoing activities, with there being a suitable time gap between the SEC Code Manager transition and the DCC Licence holder transition. The reforms could also have direct implications for the design and implementation of the future DCC as well as the regulatory context within which it operates. As such, we believe that the timing of these activities must be carefully sequenced to ensure they are delivered in a co-ordinated and holistic way. We would also welcome further clarity on the expected timings for each cohort's transition.

We would welcome further engagement with Ofgem to discuss our position and to share our experiences in relation to both the SEC and the REC. In the meantime, if you have any questions, please do not hesitate to contact Joe Hehir (joseph.hehir@smartdcc.co.uk) in the first instance.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Adhir Ramdarshan', is positioned above the printed name.

Adhir Ramdarshan

Director of Regulation – DCC

adhir.ramdarshan@smartdcc.co.uk